長沙遠大住宅工業集團股份有限公司

Changsha Broad Homes Industrial Group Co., Ltd.

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

Stock Code: 2163

2023
ANNUAL REPORT

Contents

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, 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 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 and President) (appointed as President on March 28, 2024)*
Ms. Tang Fen *(Vice Chairperson)*
Mr. Hu Shengli *(Former executive Director, former vice Chairperson and former President, resigned as executive Director, vice Chairperson and President on March 28, 2024)*
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 Director

Mr. Zhang Quanxun

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. Chen Gongrong
Mr. Zhang Jian

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Zhang Jian *(Chairman)*
Ms. Tang Fen
Mr. Hu Shengli *(resigned as a member of the Strategy Committee on March 28, 2024)*

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 Accounting and 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

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

INVESTOR 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

Definitions

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

"2022 AGM"	the 2022 annual general meeting of the Company held at 10:00 a.m. on May 12, 2023
"AGM"	the 2023 annual general meeting of the Company to be held in April 2024 and any adjournment thereof (if any)
"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
"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
"cement"	gray powder, made by calcining lime and clay, which hardens when mixed with water and is generally used in producing mortar and concrete
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"China Real Estate News"	a Chinese real estate newspaper (and its news website) governed by the MOHURD
"cloud"	a global network of servers, each with a unique function
"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
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"concrete"	an artificial, stonelike material used for various structural purposes, made by mixing cement and various aggregates, such as sand, pebbles, gravel or shale, with water and allowing the mixture to harden
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules

Definitions

"curing"	the process where the concrete surfaces are kept wet for a certain period after placing of concrete so as to promote the hardening of cement
"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
"gravel"	impure sandstone containing lime and clay
"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
"IFRSs"	individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"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
"IoT"	internet of things, a network of physical objects embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data thus to realize intelligent identification, positioning, tracking, monitoring and management
"ISO9001"	a standard for quality management systems maintained by the International Organization for Standardization (ISO) and is administered by accreditation and certification bodies

"Joint Factory(ies)"	the entities established under the Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory it operates and manages as context requires
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
"m"	meter(s)
"m^2"	square meter(s)
"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
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOC"	the Ministry of Construction of the PRC (中華人民共和國建設部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"mould"	a device for cutting or molding liquid into a particular shape
"multi-story"	houses and buildings with height between 10 meters (exclusive) and 24 meters (inclusive)
"Nomination Committee"	the nomination committee of the Company, one of the special committees of the Board
"OEM"	original equipment manufacturer, a company that makes a part or subsystem that is used in another company's end product
"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

Definitions

"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 Maker"	the series of software for designing PC units and realizing other functions along the industry chain of prefabricated construction industry, of which PC Maker I is its first generation
"PC-CPS"	cyber-physical-system, an intelligent system to manage the operation and production
"PRC GAAP"	Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"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
"rebar" or "bar"	a steel bar or mesh of steel wires used as a tension device in reinforced concrete and reinforced masonry structures to strengthen and aid the concrete under tension
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company, one of the special committees of the Board
"Reporting Period"	the financial year ended December 31, 2023
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"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 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)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"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
"ton(s)"	metric tons
"two-level management strategy"	management model of the Joint Factories with one level being Joint Factories with significant influence and the other being Joint Factories without significant influence
"VAT"	value-added tax
"%"	percent

In this annual 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 annual 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 annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Financial Summary and Operating Highlights

1. CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,201,110**	2,232,285	3,058,573	2,613,850	3,369,416
Gross profit	**535,823**	373,325	855,208	926,807	1,144,019
(Loss)/profit from operations	**(85,542)**	(317,323)	157,638	335,970	600,612
(Loss)/profit before taxation	**(409,044)**	(832,875)	32,930	265,450	733,676
Net (loss)/profit for the year	**(391,439)**	(809,071)	31,532	216,420	676,919
Attributable to:					
Equity shareholders of the Company	**(389,125)**	(808,110)	32,427	216,420	676,919
Non-controlling interests	**(2,314)**	(961)	(895)	–	–
Gearing ratio (Note)	**63.3%**	64.2%	57.0%	55.0%	56.5%

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

2. CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at December 31,				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Total non-current assets	**5,246,507**	5,668,912	5,770,470	5,207,489	4,853,065
Total current assets	**3,435,080**	3,754,494	4,092,566	3,983,679	4,714,361
Total assets	**8,681,587**	9,423,406	9,863,036	9,191,168	9,567,426
Equity					
Total equity attributable to equity shareholders of the Company	**2,885,745**	3,278,874	4,150,543	4,138,642	4,166,041
Non-controlling interests	**299,733**	91,425	92,386	–	–
Total equity	**3,185,478**	3,370,299	4,242,929	4,138,642	4,166,041
Liabilities					
Total non-current liabilities	**1,142,402**	1,091,204	1,859,354	1,146,458	370,664
Total current liabilities	**4,353,707**	4,961,903	3,760,753	3,906,068	5,030,721
Total liabilities	**5,496,109**	6,053,107	5,620,107	5,052,526	5,401,385
Total equity and liabilities	**8,681,587**	9,423,406	9,863,036	9,191,168	9,567,426

Financial Summary and Operating Highlights

3. FINANCIAL INFORMATION BY BUSINESS SEGMENT

	Year ended December 31,					
	2023			2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(in RMB'000, except %)			(in RMB'000, except %)		
PC unit manufacturing	**1,913,313**	**495,016**	**25.9%**	2,023,796	362,903	17.9%
PC equipment manufacturing	**46,525**	**1,134**	**2.4%**	62,883	5,339	8.5%
Modular integrated product manufacturing	**80,847**	**3,729**	**4.6%**	129,089	4,891	3.8%
Digital EPC	**160,425**	**35,944**	**22.4%**	16,517	192	1.2%

4. FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the year ended December 31, 2023 are set out below:

Revenue decreased by 1.4% from RMB2,232.3 million for the year ended December 31, 2022 to RMB2,201.1 million for the year ended December 31, 2023.

Revenue of PC unit manufacturing business decreased by 5.5% from RMB2,023.8 million for the year ended December 31, 2022 to RMB1,913.3 million for the year ended December 31, 2023.

Revenue of modular integrated product manufacturing business decreased by 37.4% from RMB129.1 million for the year ended December 31, 2022 to RMB80.8 million for the year ended December 31, 2023.

Revenue of digital EPC business increased by 871.3% from RMB16.5 million for the year ended December 31, 2022 to RMB160.4 million for the year ended December 31, 2023.

Gross profit increased by 43.5% from RMB373.3 million for the year ended December 31, 2022 to RMB535.8 million for the year ended December 31, 2023; and gross profit margin increased from 16.7% for the year ended December 31, 2022 to 24.3% for the year ended December 31, 2023.

Gross profit of PC unit manufacturing business increased by 36.4% from RMB362.9 million for the year ended December 31, 2022 to RMB495.0 million for the year ended December 31, 2023; and gross profit margin increased from 17.9% for the year ended December 31, 2022 to 25.9% for the year ended December 31, 2023.

Gross profit of digital EPC business increased by 18620.8% from RMB0.2 million for the year ended December 31, 2022 to RMB35.9 million for the year ended December 31, 2023; and gross profit margin increased from 1.2% for the year ended December 31, 2022 to 22.4% for the year ended December 31, 2023.

(Loss)/profit from operations decreased by 73.0% from a loss of RMB317.3 million for the year ended December 31, 2022 to a loss of RMB85.5 million for the year ended December 31, 2023.

Net (loss) decreased by 51.6% from net loss of RMB809.1 million for the year ended December 31, 2022 to net loss of RMB391.4 million for the year ended December 31, 2023.

Net cash generated from operating activities increased by 37.0% from RMB423.1 million for the year ended December 31, 2022 to RMB579.7 million for the year ended December 31, 2023.

5. OPERATING HIGHLIGHTS

Our operating highlights for the year ended December 31, 2023 are set out below:

New and incomplete contracts

	Year ended December 31,		
	2023 RMB million	2022 RMB million	Year-on-year change
New contracts of the PC unit manufacturing business	**2,649.6**	1,949.8	35.9%
New contracts of the digital EPC business	**238.3**	191.0	24.8%
New contracts of the modular integrated product manufacturing business	**81.5**	228.5	-64.3%

	As at		
	December 31, 2023 RMB million	December 31, 2022 RMB million	Year-on-year change
Incomplete contracts of the PC unit manufacturing business [Note]	**4,065.3**	4,364.1	-6.8%
Incomplete contracts of the digital EPC business	**202.6**	139.2	45.6%
Incomplete contracts of the modular integrated product manufacturing business	**118.2**	150.6	-21.5%

Note: When calculating our incomplete contracts as at December 31, 2023, certain contracts with uncertainty in performance in a total amount of RMB981.9 million have been excluded, among which, the incomplete contracts of the PC unit manufacturing business amounted to RMB882.4 million and the incomplete contracts of the modular integrated product manufacturing business amounted to RMB99.5 million.

Total new contract amount of our PC unit manufacturing business increased by 35.9% from RMB1,949.8 million for the year ended December 31, 2022 to RMB2,649.6 million for the year ended December 31, 2023.

Total new contract amount of our digital EPC business increased by 24.8% from RMB191.0 million for the year ended December 31, 2022 to RMB238.3 million for the year ended December 31, 2023.

Total new contract amount of our modular integrated product manufacturing business decreased by 64.3% from RMB228.5 million for the year ended December 31, 2022 to RMB81.5 million for the year ended December 31, 2023.

Total incomplete contracts amount of our PC unit manufacturing business decreased by 6.8% from RMB4,364.1 million for the year ended December 31, 2022 to RMB4,065.3 million for the year ended December 31, 2023.

Total incomplete contracts amount of our digital EPC business increased by 45.6% from RMB139.2 million for the year ended December 31, 2022 to RMB202.6 million for the year ended December 31, 2023.

Total incomplete contracts amount of our modular integrated product manufacturing business decreased by 21.5% from RMB150.6 million for the year ended December 31, 2022 to RMB118.2 million for the year ended December 31, 2023.

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

The production volume of our PC units decreased by 0.2% from 845,000 cubic metres for the year ended December 31, 2022 to 843,000 cubic metres for the year ended December 31, 2023. The sales volume of our PC units decreased by 2.7% from 916,000 cubic metres for the year ended December 31, 2022 to 891,000 cubic metres for the year ended December 31, 2023.

Our production line utilization rate increased from 41.6% for the year ended December 31, 2022 to 46.4% for the year ended December 31, 2023, primarily attributable to (i) the optimization of production line of certain factories; and (ii) the increase in production capacity.

Chairman's Statement

Dear investors of Broad Homes and friends who care about us:

Thank you for your continuous attention, trust, and support. In the past year, the construction industry has experienced continuous decline in absolute scale, and the supply and demand relationship in the real estate sector has undergone major changes, entering a period of in-depth adjustment where the downturn continued. Despite facing immense challenges, Broad Homes has embraced change, proactively evolved, and demonstrated remarkable resilience in our growth. We have strategically positioned ourselves in critical areas such as urban renewal and rural revitalization, focusing on the development of "campus + industrial park" projects. Our primary objective is to address the market demands of both local residents and international customers, with a particular emphasis on initiatives such as affordable housing construction, urban village transformation, the promotion of green and safe rural housing, and expanding the reach of China's prefabricated construction products in global markets. By aligning ourselves with these policy priorities, we have successfully charted a new path of sustainable growth, thereby liberating ourselves from excessive dependence on the real estate sector and seizing new opportunities for expansion.

We have now entered the year 2024, which holds immense significance for Broad Homes and the entire industry as a whole. We are well aware that in this era of rapid technological advancements and constant environmental changes, the only way to thrive is by fostering a mindset of innovation, seeking external development and internal improvements, and embracing forward momentum. It is through this approach that we can effectively navigate the complexities and uncertainties of the current landscape, identify emerging trends, and proactively seize opportunities.

In 2024, our overall strategic direction is to transform into a digital, zero-carbon, and intelligent building technology service-oriented company. To achieve this, we will maintain stable growth in our PC business, striving to remain at the forefront of the industry. We will further promote the widespread application of prefabricated construction in various scenarios, accelerate channel development, and pursue breakthroughs and growth in the B2C market segment. Meanwhile, we will continue to foster the development of intelligent construction as a "new productive force" in the housing and construction sector. By providing comprehensive solutions of prefabricated construction, we aim to expand our presence in international markets and contribute to the advancement of intelligent construction in China, thereby writing a new chapter in its development.

In 2023, we have been honored as the top 1 preferred brand in prefabricated structure (PC structure) category of "China's Real Estate Industry Chain Strategic Integrity Suppliers" for the sixth consecutive year. The Government Work Report for this year emphasizes the need to adapt to the evolving trends of new urbanization and the changing dynamics of the real estate market by accelerating the establishment of a new development model for the real estate sector. The Ministry of Housing and Urban-Rural Development has provided clear implementation strategies: 1. planning and constructing affordable housing, while promoting the construction of "dual-use" public infrastructure and the transformation of urban villages; and 2. placing a strong emphasis on building high-quality houses. In this new development model, the competition lies in delivering superior quality, incorporating new technologies, and providing excellent services. In recent years, Broad Homes has actively participated in and consistently executed projects aimed at enhancing the quality of urban renovation and public facility building. We have successfully completed over 200 affordable housing projects with contract values exceeding RMB10 million across the country. In the current year, we will continue to consolidate and expand our market share in the PC sector, thereby ensuring stable growth and contributing to the overall improvement of residents' lives, enhancing building quality, and improving the image of cities.

Chairman's Statement

The Central Economic Work Conference has outlined its goals for 2024, focusing on expanding domestic demand and fostering continuous growth in consumer spending. As a new driver of consumption, the "cultural tourism" sector has been explicitly highlighted in this year's Government Work Report. It has become a catalyst and a new engine for economic growth. The report envisions that the number of domestic tourists will surpass 6 billion throughout 2024, indicating a tremendous potential for stimulating consumption by continuously innovating and reshaping the "cultural tourism+" industry. This signifies that there is substantial room for development and potential in improving infrastructure and enhancing service quality in the future. Broad Homes is committed to enriching its portfolio of fully prefabricated products, including vacation villas, suburban villas, multi-story apartments, and residential buildings, thereby empowering the development of the industry. Meanwhile, we will vigorously expand our network of agents, engage in extensive distribution, and attract capable partners with abundant resources. Together, we will explore the diverse demands of the cultural tourism market, thereby igniting more vitality in the market. To respond actively to the requirements of deeply integrating rural areas with cultural tourism, and to leverage the role of "new productive forces" in the rural tourism industry, we will further advance the transition from self-built houses to high-quality housing construction in rural areas, continuously enhance the quality of rural housing, and deliver environmentally friendly and safe products through a fully digitized process. With an extended sales and service network, we will contribute to improving the living environment in rural areas and creating livable, business-friendly, and aesthetically pleasing countryside communities.

To drive industrial innovation through technological advancements, we have developed our proprietary CPS+ intelligent management platform. Leveraging new technologies, materials, processes, and experiences, in 2023, we successfully completed over 10 digital fully prefabricated EPC projects, continuously validating and iterating our digital implementation capabilities across the entire system. In 2024, we will deeply integrate digital technology with industrial manufacturing in the construction sector, systematically harness the dual power of "smart manufacturing" and "intelligent construction" by connecting with industry partners, so as to propel the modernization process in urban and rural construction, ultimately realizing the industry's value enhancement through intelligent solutions.

Since Broad Homes embarked on exploring the international market for prefabricated construction, our integrated building products incorporating our independently developed new material of ultra-high-performance concrete have garnered significant attention and recognition from numerous overseas clients. With our technological expertise and sufficient production capacity, we have the confidence to expand our presence abroad and fulfill orders from international market customers. In 2023, Our associate signed memorandums of understanding and strategic agreements with countries such as the United States, New Zealand, and Turkey, and have successfully implemented projects in Saudi Arabia and California in the United States. Faced with a new wave of opportunities for overseas development, in 2024, we will offer a comprehensive solution of products and technology to serve the international market. Our approach will encompass innovation research and development, design, product manufacturing, project construction, factory planning and investment, and digital operations. With the advantages of large-scale production, rapid delivery, and the provision of comprehensive digital solutions, we will actively seek capable and resourceful potential partners for collaboration. Together, we can establish local factories, carry out efficient promotion, and provide robust support for continuous expansion.

Chairman's Statement

The old patterns are being eliminated, while new patterns are being established. We must not pause in our pursuit, for there are beautiful mountains beyond the flatlands. China's modernization takes on various forms, and we firmly believe in the power of modernization in construction industry. We uphold the spirit of efficiency for success and recognize the vital significance of green construction technologies for sustainable development in the natural environment. With an unwavering commitment to our founding principles, we will remain agile and embrace change, continue to lead the way in green construction technologies, and resolutely provide exceptional services to our clients, thereby injecting innovative vitality into the industry and creating greater value for society.

Changsha Broad Homes Industrial Group Co., Ltd.
Zhang Jian
Chairman

Changsha • Hunan
March 28, 2024

1. BUSINESS REVIEW AND PROSPECT

Business review

For the year ended December 31, 2023, our PC unit manufacturing business and digital EPC business achieved positive year-over-year growth in the amount of new contracts.

For the year ended December 31, 2023, new contract amount of our PC unit manufacturing business amounted to RMB2,649.6 million, representing a year-on-year increase of 35.9%.

For the year ended December 31, 2023, new contract amount of our digital EPC business amounted to RMB238.3 million, representing a year-on-year increase of 24.8%.

For the year ended December 31, 2023, gross profit of our PC unit manufacturing business amounted to RMB495.0 million, representing a year-on-year increase of 36.4%; gross profit margin was 25.9%, representing a year-on-year increase of 8%.

PC unit manufacturing

The revenue from PC unit manufacturing business decreased by 5.5% from RMB2,023.8 million for the year ended December 31, 2022 to RMB1,913.3 million for the year ended December 31, 2023. The gross profit increased by 36.4% from RMB362.9 million for the year ended December 31, 2022 to RMB495.0 million for the year ended December 31, 2023, and the gross profit margin increased from 17.9% for the year ended December 31, 2022 to 25.9% for the year ended December 31, 2023.

PC equipment manufacturing

The revenue from PC equipment manufacturing business decreased by 26.0% from RMB62.9 million for the year ended December 31, 2022 to RMB46.5 million for the year ended December 31, 2023.

Modular integrated product manufacturing business

The revenue from modular integrated product manufacturing business decreased by 37.4% from RMB129.1 million for the year ended December 31, 2022 to RMB80.8 million for the year ended December 31, 2023.

Digital EPC business

The revenue from digital EPC business increased by 871.3% from RMB16.5 million for the year ended December 31, 2022 to RMB160.4 million for the year ended December 31, 2023. The gross profit increased by 18,620.8% from RMB0.2 million for the year ended December 31, 2022 to RMB35.9 million for the year ended December 31, 2023, and the gross profit margin increased from 1.2% for the year ended December 31, 2022 to 22.4% for the year ended December 31, 2023.

The “Broad Homes United Program”

For the year ended December 31, 2023, we had contributed to 58 Joint Factories, 57 of which were capable of commercial production and 10 achieved profitability for the year ended December 31, 2023.

Prospect and strategies

I. Emancipating our minds and embracing change, the Company has begun to witness the tangible effects of a profound transformation, showcasing our enduring development resilience

The 2024 Government Work Report emphasizes the steady implementation of urban renewal initiatives and sets explicit requirements to foster a stable and healthy real estate market. The government aims to meet the basic housing needs of the population while also catering to diverse and multi-level housing demands. Enhancing the housing supply system through a combination of "market mechanisms and government support" has become a focal point within the housing and construction sector. Broad Homes firmly adheres to the fundamental principles of government initiatives. In our ongoing journey of profound transformation, we strive for steady progress while maintaining stability, adopting an approach of breakthroughs after establishing a firm foundation.

Minister Ni Hong of the Ministry of Housing and Urban-Rural Development emphasizes that the future lies in pursuing high quality, new technologies, and excellent services. The ones who seize opportunities and undergo transformative development to deliver good housing and superior services to the people will secure a market, development, and a promising future. In order to meet the new requirements of high-quality development and create a broader and more diverse development space for promoting the prefabricated construction product offerings, the Company conducted extensive explorations in 2023 as part of our transformation. We believe that these explorations were both positive and necessary. 2024 represents the year of implementation for our transformation, marking a fresh starting point. The Company will further progress from being a construction enterprise to becoming a technology-driven company focused on "digital operation" and "product-oriented development". We will actively transform our business strategies, continually deepen our commitment to B2C development, and anchor ourselves in high-value innovative businesses. We aim to break free from heavy reliance on the real estate industry, exercise strict risk control, and ensure the steady growth of our PC business. Simultaneously, we will maintain a continued focus on serving the scenario-specific demands of the prefabricated construction market, including apartments and dormitories in industrial parks and campuses, rural villas, and projects related to cultural tourism and healthcare. Furthermore, we will leverage innovative business opportunities driven by new materials and products as our main strategy, continuously explore overseas markets, actively promote capacity development in international markets, and set sail with "Broad Homes Intelligent Construction" to achieve our goals in the global arena.

The Company's development has consistently emphasized the integration of both economic and social benefits. We have introduced various products such as rural residences, cultural tourism villas, multi-story apartments/residences, and Mofang products. These products have undergone a transformation into standardized and product-oriented offerings, resulting in reduced overall costs and increased profitability, and providing a favourable environment for achieving high-quality and scalable growth. In terms of social benefits, the green construction products developed by Broad Homes possess scientific efficiency, environmental friendliness, and safety features that contribute to a low-carbon and sustainable future. By accelerating their implementation and adoption, these products will play a significant role in the "steady implementation of urban renewal actions" and the "thorough revitalization of rural areas". They align closely with the national strategy to enhance quality, reduce costs, and increase efficiency in the construction industry, promoting its transformation, upgrading, and sustainable and healthy development.

II. *Focusing on the livelihood projects that address urgent needs and concerns, striving to create national models for "self-built villas" and "cultural tourism + healthcare"*

With the continuous rise in people's pursuit of high-quality housing, firmly grasping the foundation of "livability" and transforming from merely providing shelter to offering superior dwelling options is one of the core principles for the development of new industrialized construction. In recent years, various initiatives related to rural revitalization, the construction of high-quality self-built villas, and the expansion of the cultural tourism and healthcare industries have gained significant traction in the agenda of improving people's livelihoods. According to the "China Rural Self-built Housing Industry Consumer Data and Development White Paper", there is an annual demand for 5 million new rural houses. This demand has been further fueled by the lifting of restrictions on villa construction and height limits, the growing trend of rural repopulation, and the implementation of policies promoting immigration and relocation. Additionally, research conducted by the Finance Department of the Ministry of Culture and Tourism indicates that the market size of China's cultural tourism industry reached RMB4.91 trillion in 2023, representing a year-on-year growth of 75.49%. These developments are reshaping the industry landscape, with self-built villas and the integration of cultural tourism and healthcare emerging as new focal points for our substantial and sustained growth and serving as the new driving force for enterprises to achieve new value growth.

Since the development of the first generation of prefabricated buildings in 1998, Broad Homes has been committed to promoting innovation in new technologies, new products, and new models. Faced with the opportunities and challenges presented by self-built villas and the cultural tourism and healthcare sectors, Broad Homes' fully prefabricated villa products are designed to address the core issues of poor quality, weak regulation, and ecological damage in the self-built housing market. These products offer a green and efficient industrialized construction delivery system that distinguishes itself from traditional construction methods. Throughout the process of transitioning from self-built houses to high-quality housing construction, Broad Homes has achieved significant progress with its fully prefabricated green rural villa series, which has been implemented in projects covering 13 provinces, 59 cities, and 163 townships nationwide. Meanwhile, by introducing popular cultural tourism products and vigorously developing a sales network through agents, Broad Homes is exploring diverse demands in the development of self-built villas and cultural tourism and healthcare industries.

In the future, Broad Homes will continue to leverage its multiple strengths in technological expertise, digital construction system, production capacity, and efficient delivery. With a focus on creating high-quality living spaces for the people, the Company aims to drive forward the development of affordable and accessible self-built housing in urban and rural areas as well as cultural tourism and healthcare building products.

III. *Vigorously promoting overseas expansion in international market by jointly supporting the "Belt and Road" initiative and seizing new opportunities for mutual development*

Currently, the foreign construction market is showing a strong interest in and demand for cost-effective and environmentally friendly integrated building products, driven by the impact of rising interest rates and soaring costs. Recognizing this demand, Broad Homes, with its decades of continuous research and development, has innovatively developed new materials and implemented technological advancements, and remains steadfast in its "going global" strategy by adopting an approach that combines investment and trade to formulate production and marketing activities from a global perspective. By integrating the resources of overseas target markets, utilizing low-cost and high-efficiency production models and significant price advantages in comparison to local construction, we aim to meet different market demands and take a crucial step towards globalization.

The Company's independently developed ultra-high-performance concrete material, after fifteen years of innovative practice, compared to traditional reinforced concrete, has a strength 5-7 times stronger than ordinary reinforced concrete, is 70% lighter in weight, with a structural weight ratio lighter than water, saving 90% energy, and has a lifespan of over a hundred years, and may save material cost by 70%. The new material can be applied to both fully prefabricated integrated buildings and modular integrated buildings. The standardized and intelligent digital production process in factories, coupled with the low labour requirement and dry construction methods on-site, greatly enhance efficiency and reduce costs. This enables the material to be shipped globally, allowing for the export of standard products such as single house and townhouse, ready for immediate use upon arrival. Additionally, customized solutions can be provided based on the specific consumer demands in different overseas markets. These solutions encompass the entire process of factory investment and construction, product design, production management, and project construction, garnering significant attention and positive feedback from overseas clients. Over the past year, over 300 batches of overseas customers have been served, with more than 40 projects progressing into the design and contract stages. Mofang building products have already achieved successful implementation in Saudi Arabia and Los Angeles, California, the United States, and will continue to expand into other regional markets.

We are well aware of the complex and diversified trends in overseas markets. It is not only about expanding our presence overseas but also about achieving long-term success. Our products and technologies possess the potential to drive disruptive innovation in the global construction industry, ranging from cost-effective construction to improved efficiency. Our core capabilities, developed and refined in the Chinese market, include large-scale industrial production and digital management systems. Broad Homes is actively promoting production capacity development in overseas markets. With the advantages of large-scale production, rapid delivery, and the provision of comprehensive digital solutions, we aim to establish cooperation with capable and resourceful partners worldwide. Together, we can set up local factories, continuously and efficiently promote Broad Homes' industrialized construction technologies and products, and provide favourable support for sustainable growth.

IV. *By emphasizing "intelligence" to enhance quality, we strive to continuously enhance our digital capabilities and strengthen the intrinsic driving force for development*

The Government Work Report for the year proposed actively promoting industrial digitization and promoting the in-depth integration of digital technology and the real economy. From the traditional construction methods of manual labour to the industrialization of construction through factory production and on-site assembly, and further to intelligent construction characterized by "machines replacing humans", the productivity of the construction industry continues to improve. The development prospects of the new trend of construction industrialization, represented by prefabricated buildings, are constantly expanding. In recent years, Broad Homes has been continuously deepening the integration of digital technology and industrialized construction through the development of its CPS+ intelligent integrated management platform. This platform, which is constantly improved and upgraded through independent research and development, actively enhances the capabilities of intelligent construction solutions throughout the system. It effectively addresses the pain points of the traditional construction model, such as long construction periods, high costs, and significant resource consumption. Focusing on industrial parks and campus improvement and expansion, Broad Homes provides fast and practical solutions. It has implemented over ten digital fully prefabricated projects, including the student dormitories in the south and north campuses of the Dongfang College, Beijing University of Traditional Chinese Medicine, the Changde Economic Development Zone Medical Device Park project, the Huanggang Yili Digital Smart Food Processing Demonstration project, the fully prefabricated student dormitories in Wuhan Institute of Hydrobiology, Chinese Academy of Sciences, and the apartment building for Jiangsu Yangtze River Shipbuilding Group, providing technical services and product support to promote the optimization and upgrade of the industrial chain.

In the course of China's journey towards industrializing the construction industry, Broad Homes stands as both a participant and a driving force. We have consistently embraced the imperative of high-quality development, employing more scientific, low-carbon, and efficient construction models across diverse urban and rural contexts. This year, we will persistently advance our technological research and development, and explore and implement a wide range of application scenarios. Additionally, we will place significant emphasis on leveraging the power of the industrial internet, expedite the improvement of our industrial internet platform, strengthen information sharing, coordinate supply and demand, and offer comprehensive solutions that address the evolving housing needs of both urban and rural areas. Our ultimate aim is to truly achieve fast delivery of high-quality and affordable housing products with peace of mind, gradually showcasing Broad Homes' core capability in leading the efficiency and quality improvement of the construction industry through digital operation.

Management Discussion and Analysis

2. RESULTS OF OPERATIONS

The table below sets out a summary of our consolidated results of operations for 2023:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue	**2,201,110**	2,232,285
Cost of sales	**(1,665,287)**	(1,858,960)
Gross profit	**535,823**	373,325
Net valuation (losses)/gains on investment properties	**(22,817)**	21,807
Other net income	**26,903**	33,254
Selling and distribution expenses	**(249,093)**	(287,065)
General and administrative expenses	**(268,425)**	(256,375)
Research and development expenses	**(103,718)**	(126,467)
Impairment loss in trade and other receivables and contract assets	**(4,215)**	(75,802)
Loss from operations	**(85,542)**	(317,323)
Finance costs	**(120,123)**	(109,150)
Fair value changes on financial assets at fair value through profit or loss	**(74,038)**	(365,341)
Share of profits less losses of associates	**(77,987)**	(43,207)
Gains on disposal of subsidiaries	**–**	2,146
Losses on disposal of financial assets at fair value through profit or loss	**(51,354)**	–
Loss before taxation	**(409,044)**	(832,875)
Income tax	**17,605**	23,804
Loss for the year	**(391,439)**	(809,071)
Including: attributable to shareholders of the Company	**(389,125)**	(808,110)
attributable to non-controlling shareholders	**(2,314)**	(961)
Basic and diluted loss per share (RMB)	**(0.81)**	(1.68)

Revenue

Revenue decreased by 1.4% from RMB2,232.3 million for the year ended December 31, 2022 to RMB2,201.1 million for the year ended December 31, 2023.

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):

	Year ended December 31,			
	2023		2022	
	Amount RMB'000	**As a percentage of total revenue**	Amount RMB'000	As a percentage of total revenue
PC unit manufacturing	**1,913,313**	**86.9%**	2,023,796	90.7%
PC equipment manufacturing	**46,525**	**2.1%**	62,883	2.8%
Modular integrated product manufacturing business	**80,847**	**3.7%**	129,089	5.8%
Digital EPC	**160,425**	**7.3%**	16,517	0.7%
Revenue	**2,201,110**	**100%**	2,232,285	100.0%

Revenue from PC unit manufacturing business decreased by 5.5% from RMB2,023.8 million for the year ended December 31, 2022 to RMB1,913.3 million for the year ended December 31, 2023; and the revenue from this segment as a percentage of total revenue decreased from 90.7% for the year ended December 31, 2022 to 86.9% for the year ended December 31, 2023. This was primarily attributable to the decrease in sales volume due to slowdown in progress of certain projects.

Revenue from PC equipment manufacturing business decreased by 26.0% from RMB62.9 million for the year ended December 31, 2022 to RMB46.5 million for the year ended December 31, 2023; and the revenue from this segment as a percentage of total revenue decreased from 2.8% for the year ended December 31, 2022 to 2.1% for the year ended December 31, 2023.

Revenue from modular integrated product manufacturing business decreased by 37.4% from RMB129.1 million for the year ended December 31, 2022 to RMB80.8 million for the year ended December 31, 2023; and the revenue from this segment as a percentage of total revenue decreased from 5.8% for the year ended December 31, 2022 to 3.7% for the year ended December 31, 2023. This was mainly due to our strategic transition, in which we shifted the major markets for our modular integrated products to overseas, and it took time to cultivate the international market.

Revenue from digital EPC business increased by 871.3% from RMB16.5 million for the year ended December 31, 2022 to RMB160.4 million for the year ended December 31, 2023, and the revenue from this segment as a percentage of total revenue increased from 0.7% for the year ended December 31, 2022 to 7.3% for the year ended December 31, 2023, which was mainly due to the fact that this business is our new business characterized by good, fast and cost-effective way to capture market share.

Cost of sales

Our cost of sales decreased by 10.4% from RMB1,859.0 million for the year ended December 31, 2022 to RMB1,665.3 million for the year ended December 31, 2023.

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):

	Year ended December 31,			
	2023		2022	
	Amount RMB'000	As a percentage of the cost of sales	Amount RMB'000	As a percentage of the cost of sales
PC unit manufacturing	1,418,297	85.2%	1,660,893	89.3%
PC equipment manufacturing	45,391	2.7%	57,544	3.1%
Modular integrated product manufacturing business	77,118	4.6%	124,198	6.7%
Digital EPC	124,481	7.5%	16,325	0.9%
Cost of sales	1,665,287	100.0%	1,858,960	100.0%

The cost of sales of PC unit manufacturing business decreased by 14.6% from RMB1,660.9 million for the year ended December 31, 2022 to RMB1,418.3 million for the year ended December 31, 2023, which was mainly due to (i) the decrease in raw material cost; and (ii) our continuous implementation of cost reduction and efficiency enhancement measures.

The cost of sales of PC equipment manufacturing business decreased by 21.1% from RMB57.5 million for the year ended December 31, 2022 to RMB45.4 million for the year ended December 31, 2023.

The cost of sales of modular integrated product manufacturing business decreased by 37.9% from RMB124.2 million for the year ended December 31, 2022 to RMB77.1 million for the year ended December 31, 2023.

The cost of sales of digital EPC business increased by 662.5% from RMB16.3 million for the year ended December 31, 2022 to RMB124.5 million for the year ended December 31, 2023, which was mainly due to the increase in costs as a result of the increase in revenue.

Gross profit and gross profit margin

Gross profit increased by 43.5% from RMB373.3 million for the year ended December 31, 2022 to RMB535.8 million for the year ended December 31, 2023; and gross profit margin increased from 16.7% for the year ended December 31, 2022 to 24.3% for the year ended December 31, 2023.

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:

	Year ended December 31,			
	2023		2022	
	Amount	**Gross profit margin**	Amount	Gross profit margin
	RMB'000	**%**	RMB'000	%
PC unit manufacturing	**495,016**	**25.9%**	362,903	17.9%
PC equipment manufacturing	**1,134**	**2.4%**	5,339	8.5%
Modular integrated product manufacturing business	**3,729**	**4.6%**	4,891	3.8%
Digital EPC	**35,944**	**22.4%**	192	1.2%
Gross profit and gross profit margin	**535,823**	**24.3%**	373,325	16.7%

The gross profit of PC unit manufacturing business increased by 36.4% from RMB362.9 million for the year ended December 31, 2022 to RMB495.0 million for the year ended December 31, 2023; and the gross profit margin increased from 17.9% for the year ended December 31, 2022 to 25.9% for the year ended December 31, 2023, which was mainly due to (i) decrease in prices of raw materials; and (ii) the Company's continuous implementation of cost reduction and efficiency enhancement measures.

The gross profit of PC equipment manufacturing business decreased by 78.8% from RMB5.3 million for the year ended December 31, 2022 to RMB1.1 million for the year ended December 31, 2023; and the gross profit margin decreased from 8.5% for the year ended December 31, 2022 to 2.4% for the year ended December 31, 2023.

The gross profit of modular integrated product manufacturing business decreased by 23.8% from RMB4.9 million for the year ended December 31, 2022 to RMB3.7 million for the year ended December 31, 2023; and the gross profit margin increased from 3.8% for the year ended December 31, 2022 to 4.6% for the year ended December 31, 2023.

The gross profit of digital EPC business increased by 18,620.8% from RMB0.2 million for the year ended December 31, 2022 to RMB35.9 million for the year ended December 31, 2023; and the gross profit margin increased from 1.2% for the year ended December 31, 2022 to 22.4% for the year ended December 31, 2023, which was mainly due to the fact that this business is our new business, which has received positive market response with rapid growth, and gradually realized the economies of scale.

Net valuation (losses)/gains on investment properties

We recorded net valuation losses on investment properties of RMB22.8 million for the year ended December 31, 2023, as compared to gains of RMB21.8 million for the year ended December 31, 2022.

Other net income

Our other income consists primarily of government grants, lease income from investment properties, dividend income and losses on disposal of investment properties (including assets held for sale). Other income decreased by 19.1% from RMB33.3 million for the year ended December 31, 2022 to RMB26.9 million for the year ended December 31, 2023, which was mainly due to losses incurred from the disposal of certain investment properties (including assets held for sale).

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants	**28,839**	21,380
Operating lease income from rent of investment properties	**4,464**	9,605
Losses on disposal of property, plant and equipment and right-of-use assets	**(1,106)**	(3,215)
(Loss)/gain on disposal of investment properties (including assets held for sale)	**(7,762)**	856
Gains on disposal of other financial assets	**–**	140
Dividend income	**1,980**	3,960
Others	**488**	528
Total	**26,903**	33,254

Selling and distribution expenses

Our selling and distribution expenses mainly include freight, staff remuneration and depreciation and amortization, etc. Such expenses decreased by 13.2% from RMB287.1 million for the year ended December 31, 2022 to RMB249.1 million for the year ended December 31, 2023, and such expenses as a percentage of our revenue decreased from 12.9% to 11.3%, which was mainly due to the decrease in our staff remuneration, operation cost, promotion fee and other expenses resulting from the continuous implementation of cost reduction and efficiency enhancement measures.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Freight	**115,973**	119,023
Staff remuneration	**69,227**	89,530
Operation cost, promotion fee, etc.	**47,083**	55,948
Depreciation and amortization	**6,024**	4,415
After-sale repairing fee	**1,266**	2,186
Vehicle utilization fee	**2,777**	3,230
Others	**6,743**	12,733
Total	**249,093**	287,065

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, depreciation and amortization and intermediary consulting fees. Such expenses increased by 4.7% from RMB256.4 million for the year ended December 31, 2022 to RMB268.4 million for the year ended December 31, 2023, and such expenses as a percentage of our revenue increased from 11.5% to 12.2%, which was mainly due to (i) our continuous implementation of cost reduction and efficiency enhancement measures; and (ii) offset by increase in consulting fees.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Staff remuneration	**68,694**	74,169
Including: Share-based payment expenses	**4,977**	–
Business taxes and surcharges	**23,996**	21,836
Depreciation and amortization	**80,830**	71,800
Loss on impairment of inventories	**–**	13,643
Office expenses, travel expenses	**18,286**	17,629
Intermediary consulting fees	**47,234**	29,827
Others	**29,385**	27,471
Total	**268,425**	256,375

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 9.7% from RMB184.4 million for the year ended December 31, 2022 to RMB166.5 million for the year ended December 31, 2023. For the years ended December 31, 2023 and 2022, RMB103.7 million and RMB126.5 million of our research and development expenses were incurred, respectively, and RMB62.8 million and RMB57.9 million of our research and development expenses were capitalized, accounting for 37.7% and 31.4% of our research and development expenses, respectively. We will continue to invest in research and development for our existing businesses, modular integrated product, digital EPC and other new businesses.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Staff remuneration	**70,498**	79,979
Experiment and material costs	**78,559**	84,379
Depreciation and amortization	**6,274**	7,204
Others	**11,171**	12,798
Total research and development expenses	**166,502**	184,360
Capitalization of research and development expenses	**(62,784)**	(57,893)
Total	**103,718**	126,467

Impairment loss – trade and other receivables and contract assets

Our impairment loss-trade and other receivables and contract assets decreased by 94.4% from RMB75.8 million for the year ended December 31, 2022 to RMB4.2 million for the year ended December 31, 2023, which was mainly due to the decrease in such impairment loss as a result of the improvement in accounts receivable.

Finance costs

Our finance costs consist primarily of interest on bank loans and other borrowings and interest on lease liabilities. Finance costs increased by 10.1% from RMB109.2 million for the year ended December 31, 2022 to RMB120.1 million for the year ended December 31, 2023, which was mainly due to (i) the decrease in foreign exchange gain; (ii) the decrease in capitalized interest; and (iii) the decrease in interest income.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**132,856**	132,132
Interest on lease liabilities	**10,891**	9,863
Interest income	**(7,066)**	(9,125)
Net foreign exchange loss/(gain)	**1**	(3,775)
Less: interest expense capitalised into construction in progress	**(16,559)**	(19,945)
Total	**120,123**	109,150

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

Our loss on such fair value changes amounted to RMB74.0 million for the year ended December 31, 2023, as compared to loss on such fair value changes of RMB365.3 million for the year ended December 31, 2022.

Based on our "two-level management strategy" and "two-level management research", 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 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 49 Joint Factories re-measured as financial assets at fair value through profit or loss, 19 were in the initial operation period, and for the year ended December 31, 2023, we recorded loss on such fair value change of RMB12.1 million; 24 were in the rapid development period, and for the year ended December 31, 2023, we recorded loss on such fair value change of RMB12.6 million; and the remaining 6 factories were measured using the net asset approach under the cost method, taking into account certain liquidity discounts, and for the year ended December 31, 2023, we recorded loss on such fair value change of RMB49.3 million.

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 80.5% from a loss of RMB43.2 million for the year ended December 31, 2022 to a loss of RMB78.0 million for the year ended December 31, 2023, 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 environment of the property industry.

Gains on disposal of a subsidiary

During the year ended December 31, 2023, except for one deemed disposal transaction disclosed in "Management Discussion and Analysis – Major acquisitions and disposals ", which would not result in a profit or loss, we did not dispose of any subsidiaries and therefore had no such gains. For the year ended December 31, 2022, we recorded gains of RMB2.1 million from disposal of one subsidiary.

Losses on disposal of financial assets at fair value through profit or loss

During the year ended December 31, 2023, due to adjustment to business direction or strategic transformation of certain Joint Factories, we disposed of 5 Joint Factories classified as financial assets at fair value through profit or loss, and recorded losses on disposal of financial assets at fair value through profit or loss of RMB51.4 million. For the year ended December 31, 2022, we did not dispose of any financial assets at fair value through profit or loss and therefore did not record such losses.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. We recorded income tax credit of RMB17.6 million for the year ended December 31, 2023 and income tax credit of RMB23.8 million for the year ended December 31, 2022.

Loss for the year

In view of the above, our loss for the year decreased by 51.6% from a loss of RMB809.1 million for the year ended December 31, 2022 to a loss of RMB391.4 million for the year ended December 31, 2023.

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at December 31, 2023, our balance of cash and cash equivalents amounted to RMB378.4 million while as at December 31, 2022, our cash and cash equivalents were RMB359.0 million.

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

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	**579,674**	423,149
Net cash (used in) investing activities	**(103,858)**	(463,948)
Net cash (used in) financing activities	**(456,403)**	(144,629)
Net increase/(decrease) in cash and cash equivalents	**19,413**	(185,428)
Effect of foreign exchange rate changes	**(1)**	3,775
Cash and cash equivalents at the beginning of the year	**359,003**	540,656
Cash and cash equivalents at the end of the year	**378,415**	359,003

Net cash generated from operating activities

Net cash generated from operating activities mainly includes profit before tax adjusted for non-cash items such as depreciation of property, plant and equipment, prepaid lease payments and amortization of intangible assets and finance costs, as well as the effect of changes in working capital such as increases or decreases in inventories, accounts and notes receivable, contract assets, contract liabilities and other receivables and trade and other payables.

For the year ended December 31, 2023, net cash generated from operating activities was RMB579.7 million, mainly due to loss before income tax of RMB409.0 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including depreciation and amortization of RMB290.9 million, equity-settled share-based payments of RMB5.0 million, bad debt provision of RMB4.2 million, government grant amortization benefit of RMB5.6 million, finance expenses of RMB120.1 million, share of profits less losses of associates of RMB78.0 million, losses on disposal of financial assets at fair value through profit or loss of RMB51.4 million, losses on fair value change of financial assets at fair value through profit or loss of RMB74.0 million, dividend income of RMB2.0 million, net valuation losses on investment properties of RMB22.8 million, and total net loss on disposal of property, plant and equipment and right-of-use assets and disposal of investment properties (including assets held for sale) of RMB8.9 million; and (ii) changes in working capital, mainly including a decrease in inventory of RMB28.6 million, a decrease in trade and other receivables of RMB75.2 million, an increase in trade and other payables of RMB297.2 million, a decrease in contract assets of RMB2.0 million, a decrease in contract liabilities of RMB50.2 million and income tax paid of RMB11.7 million.

Net cash used in investing activities

For the year ended December 31, 2023, net cash used in investing activities was RMB103.9 million, mainly attributable to (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB214.1 million; (ii) payment for acquisition of financial assets at fair value through profit or loss of RMB17.7 million; (iii) payment for interests in associates of RMB0.2 million; (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB64.1 million; (v) proceeds from disposal of property, plant and equipment of RMB22.6 million; (vi) proceeds from disposal of investment properties of RMB33.8 million; and (vii) proceeds from other investing activities of RMB7.6 million.

Net cash used in financing activities

For the year ended December 31, 2023, net cash used in financing activities was RMB456.4 million, mainly due to (i) proceeds from loans and borrowings of RMB2,055.5 million; (ii) investment from minority shareholders of subsidiaries of RMB201.6 million; (iii) repayment of borrowings of RMB2,522.8 million; (iv) payment of interest on borrowings of RMB133.3 million; and (v) principal and interest of lease liabilities paid of RMB57.5 million.

Net current liabilities

Our net current liabilities were RMB918.6 million as at December 31, 2023 and RMB1,207.4 million as at December 31, 2022. We will improve our net current liabilities position and maintain our operation as a going concern through the following measures: (i) at 31 December 2023, the Group had sufficient unutilised banking facilities amounted to RMB2,137.2 million from various banks and financial institutions in the PRC and had assumed that it will be available for the Group to utilise, when necessary, for its further working capital requirements; (ii) for the year ended 31 December 2023, the Group generated net cash from operating activities amounted to RMB579.7 million. The Group's expected net cash inflows from operating activities for future 12 months starting from the end of the current reporting period, taking into accounts of the measures of the Group to reduce costs and increase efficiency; (iii) the Group will continue to implement measures to accelerate the progress of its PC unit manufacturing contracts on hand, and to speed up the collection of sale proceeds and other receivables; (iv) the Group continues adopting strict controls on its expenditure of investing activities; (v) the Group expects to obtain additional cash inflows from disposal of investment properties; (vi) the Group expects to obtain cash inflows from disposal of interest in certain financial assets; and (vii) the Group obtains cash inflows by introducing equity financing.

Borrowings

Our total borrowings increased by RMB109.8 million from RMB3,456.8 million as at December 31, 2022 to RMB3,566.6 million as at December 31, 2023. As at December 31, 2023, we had bank facilities of approximately RMB5,693.9 million (credit facilities), of which approximately RMB2,137.2 million remains unutilized.

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 decreased from RMB599.5 million for the year ended December 31, 2022 to RMB231.9 million for the year ended December 31, 2023.

Pledge of assets

As at December 31, 2023 and December 31, 2022, our restricted bank deposits were RMB192.4 million and RMB312.9 million, respectively.

Details of our other pledge of assets are set out in notes 12, 14 and 21 to the consolidated financial statements.

Off-balance sheet commitments and arrangements

For the year ended December 31, 2023, we had no off-balance sheet arrangements.

Significant investments, capital assets and relevant future plan

For the year ended December 31, 2023, save as those disclosed in this report, the Group did not have any significant investment or capital asset acquisition approved by the Board or relevant future plan.

Major acquisitions and disposals

Major acquisitions

For the year ended December 31, 2023, the Company had no major acquisition.

Major disposals

Deemed disposal transaction – Introduction of investor for capital increase in Broad Homes Industrial (Hangzhou) Co., Ltd. ("Hangzhou Broad Homes")

On December 28, 2023, the Company, Hangzhou Broad Homes, a wholly-owned subsidiary of the Company, and BOCOM Financial Asset Investment Co., Ltd. ("BOCOM Investment") entered into the Capital Increase Agreement, the Shareholders' Agreement and other relevant Transaction Documents in relation to the investment by BOCOM Investment in Hangzhou Broad Homes. Pursuant to the Capital Increase Agreement, the total investment amount proposed to be invested by BOCOM Investment in Hangzhou Broad Homes is RMB200 million, of which RMB50.6731 million will be credited to the registered capital of Hangzhou Broad Homes and the remaining RMB149.3269 million will be credited to the capital reserve. Upon completion of the Capital Increase, the registered capital of Hangzhou Broad Homes will be increased from RMB100 million to RMB150.6731 million, the Company and BOCOM Investment will directly hold approximately 66.37% and 33.63% equity interest in Hangzhou Broad Homes respectively, Hangzhou Broad Homes will become a non-wholly owned subsidiary of the Company and continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company. According to Rule 14.29 of the Listing Rules, the capital increase constitutes a deemed disposal transaction and the Company has published an announcement of the discloseable transaction on December 28, 2023 and set out the details of the deemed disposal transaction. As of December 31, 2023, BOCOM Investment had paid the investment price in full to Hangzhou Broad Homes. And the change of industrial and commercial registration of Hangzhou Broad Homes was completed on 21 March 2024.

Save for the above, during the year ended December 31, 2023, the Company had no other material disposals.

Employees and remuneration policy

For the year ended December 31, 2023, we had 2,333.5 full-time employees (average for January to December 2023). Our total remuneration expenses decreased by 14.2% from RMB417.7 million for the year ended December 31, 2022 to RMB358.5 million for the year ended December 31, 2023.

4. COMMITMENTS

Capital Commitments

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

	As at	
	December 31, 2023 RMB'000	December 31, 2022 RMB'000
Contracted for		
– Construction and renovation of production facilities	**101,099**	166,411
– Capital contributions to Joint Factories	**25,200**	58,750
Total	**126,299**	225,161

5. FINANCIAL RATIOS

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

	Year ended December 31,	
	2023	2022
Current ratio [(1)]	**0.8**	0.8
Quick ratio [(2)]	**0.7**	0.7
Loan-to-equity ratio [(3)]	**112.0%**	102.6%
Return on total assets [(4)]	**-4.3%**	-8.4%
Return on equity [(5)]	**-11.9%**	-21.3%
Interest coverage ratio [(6)]	**-2.4**	-6.6

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 (loss)/profits as at the end of the year/for the year divided by average of total assets at the beginning and end of the year.

(5) Return on equity equals to (loss)/profits as at the end of the year/for the year divided by average of total equity at the beginning and end of the year.

(6) Interest coverage ratio equals to (loss)/profit before interest and taxation divided by finance costs.

Current Ratio

Our current ratio was 0.8 as at December 31, 2022 and 2023. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed "Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities".

Quick Ratio

Our quick ratio was 0.7 as at December 31, 2022 and 2023. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed "Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities".

Loan-to-equity Ratio

Our loan-to-equity ratio increased from 102.6% as at December 31, 2022 to 112.0% as at December 31, 2023.

Return on Total Assets

Our return on total assets increased from -8.4% for the year ended December 31, 2022 to -4.3% for the year ended December 31, 2023.

Return on Equity

Our return on equity increased from -21.3% for the year ended December 31, 2022 to -11.9% for the year ended December 31, 2023.

Interest Coverage Ratio

Our interest coverage ratio increased from -6.6 times for the year ended December 31, 2022 to -2.4 times for the year ended December 31, 2023.

6. LIQUIDITY RISK

In addition to the responding measures as set out in "Management Discussion and Analysis – Net current liabilities", We have adopted stricter and more efficient payment collection measures, strengthened the assessment of our internal payment collection organization, assigned responsibilities to specific individuals, broken down tasks into months and weeks, linked the payment collection tasks with the individual salary, and have achieved initial progress by taking a series of measures to ensure that we have sufficient liquidity. Meanwhile, our objective is to ensure continuity of sufficient funding and funding flexibility by utilizing a variety of 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 surplus cash 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. During the Reporting Period, we did not make any changes in the objectives, policies or process of capital management.

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, construction companies and enterprises and institutions 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. We will continuously monitor the condition of our receivables balance.

Turnover days of trade debtors and bills receivable

Our overall turnover days of trade debtors and bills receivable decreased from 478 days for the year ended December 31, 2022 to 463 days for the year ended December 31, 2023.

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 year, we did not consider it necessary to use interest rate swaps to hedge our exposure to interest rate risk.

As at December 31, 2023, balance of fixed-rate borrowings amounted to RMB2,118.9 million, with the fixed interest rate ranging from 0.00% to 4.70% per annum. The balance of floating-rate borrowings amounted to RMB1,447.7 million, with floating interest rate ranging from 3.20% to 5.16% per annum.

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. There were no material foreign exchange exposure and foreign currency risk as at December 31, 2023.

10. CONTINGENT LIABILITIES

As at December 31, 2023, 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 annual report, there were no adjusted or non-adjusting significant events with a significant financial impact on the Group.

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jian (張劍先生), aged 60, is the founder of the Company, and has been the chairman of the Board and an executive Director since the date of the incorporation of the Company in April 2006. Mr. Zhang takes charge of the overall affairs of the Board, participates in the formulation and implementation of the business and operation strategies of the Company and makes significant business and operational decisions of the Company through the Board.

Since March 1996, Mr. Zhang has served as an executive director of Hunan Broad Lingmu House Equipment Co., Ltd. ("**Broad Lingmu**"), responsible for formulation of strategies, business operation and investment decision-making. Since April 2008, he has served as the chairman of board of Hunan Dazheng Investment Co., Ltd. ("**Dazheng Investment**"), responsible for investment and management affairs. Since April 2013, he has served as a general partner of Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) ("**Daxin Investment**"), responsible for investment and management affairs.

Before joining the Group, Mr. Zhang taught thermal engineering at Harbin University of Science and Technology (哈爾濱理工大學) from July 1985 to September 1988. He served as the head of Chenzhou Hot Spring Heating Equipment Factory* (郴州溫泉採暖設備廠) from June 1988 to September 1992 and was mainly responsible for research, development and management. He served as an executive director and the president of Broad Air-Conditioner Co., Ltd.* (遠大空調有限公司) (a company mainly engaged in the research, development, production and sales of air-conditioners) from September 1992 to July 2002 and was mainly responsible for formulation of strategies and the overall management and operation.

Mr. Zhang served as a representative of the Eighth National People's Congress of the PRC from March 1993 to February 1998 and a representative of the Ninth National People's Congress of the PRC from March 1998 to February 2003. Mr. Zhang was awarded the China Invention Gold Award* (中國發明金獎) by the Organizing Committee of International Exhibition of Patent, New Technology and New Products* (國際專利及新技術新產品展覽會組織委員會) in November 1990, the Invention Silver Award of the Foire Internationale de Paris by Foire Internationale de Paris in 1991, the Invention Gold Award of the 22nd International Exhibition of Geneva by the International Advisory Committee for Inventions in April 1994, the National Technology Advancement Award by National Science and Technology Commission in December 1996, the Grand Prize of the 110th Concours Lépine International Paris by Association des Inventeurs et Fabricants Francais in 2011, and the Real Estate Representative for the 40th Anniversary of China's Reform and Opening-up by Leju Finance (樂居財經) in December 2018.

Mr. Zhang obtained a bachelor's degree in thermal engineering from Harbin Institute of Technology (哈爾濱工業大學) in July 1985.

* *For identification purpose only*

Ms. Tang Fen (唐芬女士), aged 47, is an executive Director of the Company. She takes charge of the strategic management of the Company. Ms. Tang joined the Group in August 2006, and previously served as the general manager of the investment and cooperation affairs department, vice president and president of the Company successively.

Since September 2015, Ms. Tang has been the vice president of the seventh session of the council for China Real Estate Association, responsible for exercising the functions and powers as the vice president.

Before joining the Group, Ms. Tang served as an assistant to director of event planning of China Golden Eagle TV Art Festival Organizing Committee* (中國金鷹電視藝術節組委會) from July 2000 to March 2003 and was mainly responsible for the planning and implementation work of the China Golden Eagle TV Art Festival. She served as a vice president of Hunan Yunda Real Estate Development Co., Ltd.* (湖南運達房地產開發有限公司) (a company mainly engaged in real estate development) from March 2003 to July 2006 and was mainly responsible for sales and investment solicitation.

Ms. Tang was awarded the title of Outstanding Entrepreneur of Changsha High-tech Zone from 2014 to 2018 by the CPC Changsha High-tech Zone Work Committee and Changsha High-tech Zone Management Committee.

Ms. Tang graduated from Changsha Electric Power College* (長沙電力學院) majoring in computer and application in June 2001 and Changsha University of Science and Technology (長沙理工大學) majoring in accounting (correspondence) in June 2004.

Mr. Hu Shengli (胡勝利), aged 49, is a former executive Director and former president of the Company (Note). He is responsible for the overall operation and management of the Company.

Prior to joining the Group, Mr. Hu worked at College of Hunan Telecom from August 1993 to March 1999 and worked at Hunan Guoxin Paging Co., Ltd. (湖南國信尋呼有限責任公司) from April 1999 to August 2000. During Mr. Hu's tenure at China Unicom from September 2000 to February 2011, he had served consecutively as the deputy general manager of Marketing Department of China Unicom Hunan, the general manager of C Network Operation Department, the deputy general manager of China Unicom Changsha, the general manager of China Unicom Loudi, the general manager of Sales Department of Headquarters of Unicom Huasheng, the director of Channel Management and Sales Division of Sales Department of China Unicom Group and other positions. Mr. Hu served as the general manager of Hunan Gintoten Camellia Technology Co., Ltd. (湖南金拓天油茶科技有限公司) from March 2011 to November 2011 and served as the vice president of FunTalk China Holding Limited and the general manager of Leyu Kaifei Communication Technology Co., Ltd. (樂語凱飛通訊技術有限公司) from December 2011 to December 2013. Mr. Hu worked at JD Group from January 2014 to January 2021, and served consecutively as the general manager of Communication Procurement Department I, the general manager of Communication Procurement Department, the group vice president and the president of the 3C and Entertainment Business Unit, the senior group vice president and the president of the Fashionable Household Platform Business Division, the senior group vice president and the head of Strategic Cooperation Department and other positions.

Mr. Hu graduated from Changsha Railway University in July 1993, and obtained a Master's Degree in Business Administration from Hunan University in March 2008. He is currently enrolled in the EMBA program at China Europe International Business School.

Note: Mr. Hu Shengli has resigned as an executive Director and the president of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

Directors, Supervisors and Senior Management

Ms. Shi Donghong (石東紅女士), aged 47, is an executive Director, a vice president, the chief financial officer, the secretary of the Board and the joint company secretary of the Company. She is responsible for the overall financial management, corporate development and board secretarial work of the Company. Ms. Shi joined the Group in December 2007, and previously served as the finance manager, deputy manager of strategy office and manager of capital operation department of the Company successively.

Before joining the Group, Ms. Shi served as the store ledger accountant, cashier, financial team leader as well as financial executive of Broad Lingmu successively and was mainly responsible for financial work from February 1997 to November 2007.

Ms. Shi was awarded the title of Outstanding Entrepreneur of Changsha High-tech Zone from 2014 to 2016 by the CPC Changsha High-tech Zone Work Committee and Changsha High-tech Zone Management Committee and the title of Five-star Management Talent in May 2018 by China Association of Chief Financial Officers; was admitted as an associate member of the AAIA in December 2021, and was granted the 2021 Global Leader Award by the Association of International Accountants (AIA).

Ms. Shi graduated from China Central Radio and TV University* (中央廣播電視大學) majoring in accounting in November 2005. She obtained a master's degree in business administration from Asia International Open University (Macau) in September 2010. Ms. Shi was granted the qualification of Senior International Finance Manager by the International Financial Management Association in April 2010 and the qualification of Chief Financial Officer (總會計師) by China Association of Chief Financial Officers in December 2010.

Mr. Zhang Kexiang (張克祥先生), aged 60, is an executive Director and a vice president of the Company. He is responsible for the data operation centre of the Company. Mr. Zhang joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the manager of manufacture department of the Company, responsible for management affairs.

Before joining the Group, Mr. Zhang served as an engineer in the technical division of Changsha Shipyard* (長沙船舶廠) (a company mainly engaged in shipbuilding business) from July 1984 to October 1996 and was mainly responsible for technical research and development. He served as the head of the Pressure Vessel Branch of Changsha Shipyard* (長沙船舶廠壓力容器分廠) from October 1996 to December 1998 and was mainly responsible for management. He served as the head of the management division of Broad Lingmu from December 1998 to December 2004 and was mainly responsible for production management. He served as the on-board general manager of Changsha Noah Cruise Co., Ltd.* (長沙挪亞游輪有限公司) (a company mainly engaged in cruise operation) from December 2004 to April 2006 and was mainly responsible for management.

Mr. Zhang obtained a bachelor's degree in ship and marine engineering from Huazhong University of Science and Technology (華中科技大學) in July 1984. Mr. Zhang was also granted the title of engineer by Hunan Provincial Department of Personnel in July 1992.

Mr. Tan Xinming (譚新明先生), aged 48, is an executive Director and a vice president of the Company. He is responsible for business operation and management of the Company. Mr. Tan joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the secretary of the chairman's office, procurement manager and construction general manager of the Company successively.

Before joining the Group, Mr. Tan successively served as a financial manager and the secretary of the chairman's office of Broad Lingmu, responsible for financial management affairs and the administration of the chairman's office from July 2003 to March 2006.

Mr. Tan served as a strategic consultant for procurement alliance of China Real Estate Chamber of Commerce from October 2015 to October 2018.

Mr. Tan graduated from Hunan College of Finance and Economics* (湖南財經學院) majoring in accounting in December 1998. Mr. Tan was also granted the qualification of certified public accountant by the Chinese Institute of Certified Public Accountants in September 2004.

Non-executive Director

Mr. Zhang Quanxun (張權勳先生), aged 50, is a non-executive Director of the Company. He is mainly responsible for participating in major decision-making of the Company and offering professional advice and judgment to the Board.

Since June 2013, Mr. Zhang has served as a vice president of Shenzhen Yuanzhi Fuhai Investment Management Limited, responsible for facilitating the development of various businesses, participating in the establishment, assessment, investment decision-making and fund-raising of all projects, as well as the external liaison and maintenance of relationships with limited partners and shareholders. Since November 2017, he has served as a supervisor of Shenzhen High-tech Investment Group Co., Ltd.* (深圳市高新投集團有限公司).

Before joining the Group, Mr. Zhang served as a deputy director of Xiamen Productivity Promotion Centre* (廈門市生產力促進中心) (an institute mainly engaged in investment and project management in science and technology industry) from August to November 2008. From December 2008 to January 2011, Mr. Zhang successively served as the vice director of business department of plastic packaging, and the director of business department of plastic packaging as well as the strategic development department of Shenzhen Tongchan Packaging Group Co., Ltd.* (深圳市通產包裝集團有限公司) (a company mainly engaged in the production and sales of packaging products and investment in packaging industry). From January 2011 to February 2013, Mr. Zhang served as the head of the strategic research and merges and acquisitions department of Shenzhen Yuanzhi Investment Limited*(深圳市遠致投資有限公司) (a company mainly engaged in industrial investment and the development and management of investment and assets). From May 2015 to September 2021, Mr. Zhang served as a director of Shenzhen Tellus Holding Co., Ltd.* (深圳市特力(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000025)).

Mr. Zhang obtained a bachelor's degree in economics and a master's degree in business administration from Xiamen University (廈門大學) in July 1994 and December 2005, respectively.

Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. Chen Gongrong (陳共榮先生), aged 61, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

Mr. Chen successively served as a teaching assistant, lecturer and associate professor at Hunan College of Finance and Economics* (湖南財經學院) from July 1985 to December 1999, and has successively served as an associate professor and professor in Hunan University since January 2000, responsible for teaching accounting. Mr. Chen served as an independent director of several listed companies, responsible for participating in the board decision-making, namely Vatti Co., Ltd.* (華帝股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002035) and mainly engaged in the research, manufacturing and sales of gas cookers, water heaters, range hoods, etc.) from October 2007 to May 2013, Hunan Corun New Energy Co., Ltd.* (湖南科力遠新能源股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600478) and mainly engaged in the research, manufacturing, development, production and sales of continuous strip of nickel foam and relevant product series) from July 2008 to June 2014, Hunan Zhenghong Science and Technology Development Co., Ltd.* (湖南正虹科技發展股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000702) and mainly engaged in the research, manufacturing, production and sales of various types of feeds) from March 2009 to March 2015, Hunan Mendale Hometextile Co., Ltd.* (湖南夢潔家紡股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002397) and mainly engaged in the research, development, design, production and sales of home textiles) from August 2012 to August 2018 and China South Publishing & Media Group Co., Ltd.* (中南出版傳媒集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601098)) from September 2013 to September 2019, Hunan Friendship & Apollo Commercial Co., Ltd. (湖南友誼阿波羅商業股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002277)) from May 2015 to March 2021 and Hunan Gold Corporation Limited* (湖南黃金股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002155)) from May 2015 to May 2021.

Mr. Chen also currently serves as an independent director responsible for participating in the board decision-making of several listed companies, namely, Changlan Electric Technology Co., Ltd. (長纜電工科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002879) and mainly engaged in the research, development, production and sales of power accessories, cable fittings and other auxiliary materials) since April 2019, Hunan Chendian International Development Co., Ltd. (湖南郴電國際發展股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600969) and mainly engaged in power supply and water supply and investment in industrial gas, residual-heat power generation and hydropower) since November 2019, and Xiangtan Electric Manufacturing Co., Ltd. (湘潭電機股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600416) and mainly engaged in manufacturing and sale of electrical equipment such as generators, AC and DC motors) since April 2021.

Mr. Chen obtained a bachelor's degree in financial accounting from Hunan College of Finance and Economics* (湖南財經學院) in June 1985 and a doctorate degree in accounting from Hunan University (湖南大學) in March 2010. Mr. Chen was also granted the title of professor by Hunan Provincial Department of Personnel in May 2006.

Mr. Li Zhengnong (李正農先生), aged 61, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board. Since February 2005, Mr. Li has served as a professor at the School of Civil Engineering of Hunan University, mainly responsible for teaching and research as the director of the key laboratory for building safety and energy efficiency education division.

Mr. Li obtained a doctorate degree of science in structural engineering from Wuhan University of Industry* (武漢工業大學) in July 1995. Mr. Li was also granted the title of professor by Zhejiang Provincial Department of Personnel in October 2003.

Mr. Wong Kai Yan Thomas (王佳欣先生), aged 53, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

Since March 2018, Mr. Wong has served as the managing director of the asset management department of VPower Group International Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01608)), responsible for managing the fund investment, determining the investment goals and developing and implementing the asset management plans and strategies and an independent non-executive director of YCIH Green High-Performance Concrete Company Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01847)).

Before joining the Group, from June 1995 to May 1997, Mr. Wong served as an auditor of BDO; from July 1997 to January 2004, Mr. Wong served as the financial officer of Kong Sun Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00295) and mainly engaged in investment business); from March 2004 to April 2008, Mr. Wong served as a consultant of Pioneer International Enterprise Limited; from July 2008 to December 2017, Mr. Wong served as a joint authorized representative and joint company secretary of CRRC Corporation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01766) and mainly engaged in railway equipping business); from November 2015 to December 2017, Mr. Wong served as a director, a vice president and the chief financial officer of CRRC (Hong Kong) Co., Limited (a company mainly engaged in trade and investment business).

Mr. Wong obtained a bachelor's degree of business in accounting from the University of Wollongong in Australia in May 1995 and a master's degree of science in investment analysis from the Hong Kong University of Science and Technology in May 2011. Mr. Wong became a member of CPA Australia in March 1999 and a member of Hong Kong Institute of Certified Public Accountants in July 1999.

Mr. Zhao Zhengting (趙正挺先生), aged 52, is an independent non-executive Director of the Company and is mainly responsible for supervising and offering independent advice and judgment to the Board.

Mr. Zhao was engaged in information management of construction industry in the Science and Technology Development Promotion Centre of the MOC from September 1994 to May 2005, served as a director of the China Real Estate Chamber of Commerce (全國工商聯房地產商會) ("**CRECC**") from May 2005 to August 2009, where he was engaged in the promotion of green demonstration projects, served as secretary general of ELITE Science and Technology Foundation (北京精瑞科技基金會, now renamed as Beijing ELITE Habitat Development Foundation) from August 2009 to October 2011, where he was engaged in the promotion of science and technology public welfare projects and has been the secretary-general of the CRECC since October 2011, where he served members, industry and the government.

Mr. Zhao currently also serves as independent directors of several companies, where he is responsible for participating in the decision-making process of the board of directors. In particular, Mr. Zhao has been an independent director of Xiamen Dinek Intelligent Technology Co., Ltd. (廈門狄耐克智能科技股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300884) since January 2018 and has been an independent director of Guangdong Jianlang Hardware Products Co., Ltd. (廣東堅朗五金製品股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002791).

Mr. Zhao obtained a bachelor's degree in computer science and technology from Beijing University of Technology in July 1994 and obtained a master's degree in industrial economics from Capital University of Economics and Business in January 2008. In 1998, Mr. Zhao won the construction advanced individual award from the MOC and participated in the drafting of Intelligent Buildings and Urban Information (智能建築與城市信息) and China's Green and Low Carbon Residential Technology Assessment Manual (中國綠色低碳住區技術評估手冊).

SUPERVISORS

Mr. Zhou Feng (周鋒先生), aged 40, is the chairman of the Supervisory Committee of the Company and is in charge of the work of the Supervisory Committee and organizes the Supervisors to jointly supervise the operating and financial activities of the Company. Mr. Zhou also serves as the director of human resources and administration center of the Company and the dean of the Broad Homes Lean Academy, responsible for human resources management, administrative back-office management and the operation and management of Broad Homes Lean Academy.

Mr. Zhou joined the Group in April 2014 and successively served as the human resources and administration director of Anhui Company, the human resources and administration director of Hangzhou Company and the secretary of the chairman's office of the Company.

Before joining the Group, Mr. Zhou worked in the president's office of the West Africa Regional Division of Huawei Technologies Co., Ltd. (華為技術有限公司西非地區部) from 2007 to 2011, responsible for human resources management and administration, and served as the director of the human resources department of Sany Heavy Industry Group Zhongxing Hydraulic Parts Co., Ltd. (三一重工集團中興液壓件有限公司) from 2011 to 2014.

Mr. Zhou graduated from Xiangtan University (湘潭大學) in June 2006, majoring in international economics and trade. Mr. Zhou also obtained the human resource manager certificate issued by the Ministry of Human Resources and Social Security of the People's Republic of China in 2020.

Mr. Zhou is also a member of the 6th Standing Committee of the Real Estate Professional Committee under the China Association of Construction Education (中國建築教育協會房地產專業委員會), vice chairman of the Hunan Human Resources Services Association (湖南省人力資源服務協會) and the director of the Hunan Association of Corporate Trainers (湖南省企業培訓師協會).

Mr. Li Gen (李根先生), aged 39, is a non-employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Mr. Li is also the capital operation director of the board secretary office of the Company, responsible for the capital-operational work of the Company. Mr. Li joined the Group in October 2010 and previously served as a financing manager of the strategy research office and a manager of the capital operation department successively.

Before joining the Group, Mr. Li served as an investment manager in Changsha Wanjiali Road Branch of Zhongtai Securities Company Limited* (中泰證券股份有限公司) (a company mainly engaged in securities business) from March to September 2010, and was mainly responsible for security investment.

Mr. Li obtained a bachelor's degree in measuring and control technology and instruments from Central South University (中南大學) in June 2007 and a master's degree in business administration from Central South University (中南大學) in December 2009.

Ms. Liu Jing (劉景女士), aged 42, is an employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Ms. Liu Jing is also the branding director of the Company, responsible for the coordination of brand development and implementation of promotion projects of the Group. Ms. Liu Jing joined the Group in October 2012, and she has been serving as the branding director of the Company since then.

Before joining the Group, Ms. Liu Jing served as the assistant to the chairman of Hunan Future Investment Group Co., Ltd.* (湖南未來投資集團有限公司) (a company mainly engaged in real estate development and investment) from November 2007 to September 2012 and was mainly responsible for assisting the chairman on day-to-day operational work.

Ms. Liu Jing obtained a bachelor's degree of arts from Xiangtan University (湘潭大學) in June 2003, majoring in English.

SENIOR MANAGEMENT

During the Reporting Period, the senior management of the Company consists of Mr. Zhang Jian, Ms. Tang Fen, Mr. Hu Shengli (Note), Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming. For biographical details of Mr. Zhang Jian, Ms. Tang Fen, Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming, please see "Directors" above.

Note: Mr. Hu Shengli has resigned as an executive Director and the president of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

JOINT COMPANY SECRETARIES

Ms. Shi Donghong (石東紅女士) is the joint company secretary of the Company. Please refer to the section headed "Directors" above for her biographical details.

Ms. Ng Ka Man (吳嘉雯女士) is the senior manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. Ms. Ng has over 16 years of experience in the company secretarial field. She is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Report of the Board

The Board is pleased to present the report of the Board and the audited consolidated financial statements of the Group for the year ended December 31, 2023.

GLOBAL OFFERING AND USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019, and the Company issued a total of 122,035,400 H Shares in Global Offering (including 167,400 H Shares issued upon partial exercise of the Over-allotment Option) at an offer price of HK$9.68 per Share with a nominal value of RMB1.00 each. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019. In addition, 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. In addition, as disclosed in the Company's announcement dated July 6, 2023, the Board considered and approved the repatriation of the proceeds from H Share offering of RMB4.1 million originally deposited overseas to the PRC to be used for working capital and general corporate purposes of the Company (the "**Repatriation**"), and the Repatriation does not involve any change in use of proceeds. 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 December 31, 2023, balance of the unutilized net proceeds was approximately HK$0.14 million[(1)].

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 Relevant Announcements. The table below sets out the planned use of net proceeds and the actual use as at December 31, 2023:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK$ million)	Amount used during the year of 2023 (HK$ million)	Amount Utilized (as at December 31, 2023) (HK$ million)	Amount Unutilized (as at December 31, 2023) (HK$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45	500.30	19.26	500.22	0.08	
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36.97	410.97	19.26	410.9	0.08	Before December 31, 2024
(2) Expanding Factories and Upgrading Equipment in Existing Regional Production Centers	8.03	89.32	0	89.32	0	–
(II) Expansion in Overseas and Domestic Markets, Establishing Technology and Production Centers Targeting Overseas and Domestic Markets	7.04	78.28	0	78.28	0	–
(III) Developing and Expanding Intelligent Equipment Business	5.09	56.56	0	56.56	0	–
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	4.41	49.07	0	49.07	0	–
(V) Working Capital and Other General Corporate Purposes	38.45	427.50	0.08	427.44	0.06	Before December 31, 2024
Total	100	1,111.7	19.34	1,111.56	0.14	

Note:

(1) Net proceeds from offering were approximately HK$1,111.7 million, of which approximately HK$1,111.56 million had been utilized as at December 31, 2023 and approximately HK$0.14 million were unutilized as at December 31, 2023.

PRINCIPAL BUSINESS

The Group is primarily engaged in the industrialization of construction industry in the PRC, including prefabricated concrete unit manufacturing ("**PC Unit Manufacturing**"), prefabricated concrete equipment manufacturing ("**PC Equipment Manufacturing**"), modular integrated product manufacturing and Digital EPC. An analysis of the principal business of the Company for the year ended December 31, 2023 is set out in the section headed "Management Discussion and Analysis" and note 4 to the consolidated financial statements in this annual report.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of comprehensive income as set out on page 184 of this annual report.

DIVIDEND POLICY

The Articles of Association provide that dividends may be paid in cash, stock or a combination of cash and stock. Any proposed dividend distribution shall be formulated by the Board and subject to Shareholders' approval. The Company does not currently have a fixed dividend payout ratio. The amount of dividends to be declared and distributed will depend on the following factors: the Company's overall business condition, results of operation, financial results, working capital, capital requirements, future prospect, cash flow and any other factors which the Board may deem relevant. The Company may declare interim dividend after taking into account the relevant factors that our Board deems relevant. The profit after tax of the Company used for dividend distribution will be the lesser of (i) the net profit determined in accordance with PRC GAAP or (ii) the net profit determined in accordance with IFRSs. The Articles of Association further provide that after the general meeting has passed a resolution on the profit distribution plan, the Board must complete the dividend (or share) distribution within two months after the general meeting.

FINAL DIVIDEND

The Board has proposed not to distribute final dividend for the year ended December 31, 2023.

To the best knowledge of the Directors, there was no arrangement under which the Shareholders waived or agreed to waive any dividend.

TAX REDUCTION OR EXEMPTION

In general, H shareholders shall be taxed for the dividends distributed by the Company in accordance with the Enterprise Income Tax Law of the PRC, the Individual Income Tax Law of the PRC and other relevant laws, regulations and rules. However, H shareholders may enjoy tax relief in accordance with the provisions of applicable tax treaties entered into by the countries/regions where they belong to by virtue of residential identification and the PRC. Pursuant to the Enterprise Income Tax Law of the PRC and its implementing regulations, the Company shall withhold and pay enterprise income tax at a tax rate of 10% for the income of a non-resident enterprise deriving from PRC. Any H shares registered under the name of non-individual enterprise, including the H shares registered under the name of HKSCC Nominees Limited, other nominees or trustees, or other organisations or entities, shall be deemed as shares held by non-resident enterprise shareholders and therefore, the dividends entitled to shall be subject to withholding enterprise income tax. Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) issued by the State Administration of Taxation on June 28, 2011, where the non-resident individual shareholders obtain dividend and bonuses from the shares issued in Hong Kong by non-foreign-invested enterprise, individual income tax shall be withheld and remitted by the withholding agent according to the domain of "interest, dividends and bonuses". Accordingly, for individual H shareholders who are Hong Kong or Macau residents or whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% when paying the final dividend to H shareholders whose names appear on the H Share register of members of the Company at the corresponding record date. Where the dividend tax rate is not 10%, it will be handled according to the following requirements:

(1) for residents of countries which have entered into a treaty with China in respect of a tax rate lower than 10%, such H shareholder individuals may by themselves or entrust the Company to file tax returns with the competent tax authorities to be entitled to the agreed tax rate, and shall keep relevant information for inspection. To the extent that the information is duly provided, the Company will withhold and pay individual income tax according to the provisions of PRC tax laws and such tax treaties upon approval by the competent tax authorities;

(2) for residents of countries which have entered into a treaty with China in respect of a tax rate of 10% or more but less than 20%, the Company will withhold and pay the individual income tax according to the agreed effective tax rate;

(3) for residents of countries which have not entered into any tax treaties with the PRC and in any other circumstances, the Company will withhold and pay individual income tax at the rate of 20%.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

BUSINESS REVIEW

The business review of the Group during the year is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report, which include an analysis of the Group on major risks and uncertainties it is exposed to, the performance of the Group and the expected development trends of the business of the Group with key financial indicators as well as the Group's environmental policies and performance. Such review and discussion constitutes an integral part of this Report of the Board. Significant events taking place subsequent to the current financial year which have a material impact on the Company are set out in the section headed "Significant Events after the Reporting Period" of this annual report.

The Group is not aware of any significant relationships with its employees, customers and suppliers, which have a significant impact on the Group and are the basis of its success.

FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out on page 10 of this annual report, which does not constitute part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2023, the turnover of the Group's top five customers accounted for 17.9% of the Group's total revenue, while the turnover of the Group's single largest customer accounted for 6.8% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2023, the turnover of the Group's top five suppliers accounted for 10.3% of the Group's total purchase for the year ended December 31, 2023, while the turnover of the Group's single largest supplier accounted for 2.7% of the Group's total purchase.

During the Reporting Period, none of the Directors, any of their respective close associates or any Shareholders who, to the best knowledge of the Directors, own more than 5% of the Company's issued shares, had interests in the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment of the Company and the Group for the year ended December 31, 2023 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of the changes in the Company's share capital during the Reporting Period are set out in note 29 to the consolidated financial statements.

Report of the Board

RESERVES

Details of the changes in the reserves of the Company and the Group for the year ended December 31, 2023 are set out in the consolidated statement of changes in equity on page 187.

DISTRIBUTABLE RESERVE

As of December 31, 2023, the Company's distributable reserve was approximately RMB0 million (as of December 31, 2022: RMB0 million).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and the Group as at December 31, 2023 are set out in notes 24 and 30(b) to the consolidated financial statements.

LIST OF DIRECTORS AND SUPERVISORS

During the year and as of the date of this annual report, the list of the Directors and the Supervisors is set out below:

Executive Directors:

Mr. Zhang Jian *(Chairman and President) (appointed as President on March 28, 2024)*
Ms. Tang Fen *(Vice Chairperson)*
Mr. Hu Shengli *(Former executive Director, former vice Chairperson and former President, resigned as executive Director, vice Chairperson and President on March 28, 2024)*
Ms. Shi Donghong *(Vice President, Chief Financial Officer, Secretary of the Board and Joint Company Secretary)*
Mr. Zhang Kexiang *(Vice President)*
Mr. Tan Xinming *(Vice President)*

Non-executive Director:

Mr. Zhang Quanxun

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 38 to 45 of this annual report. During the Reporting Period and up to the date of this annual report, save as disclosed in this annual report, there was no change in information of Directors, Supervisors or president of the Company subject to disclosure in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation of their independence from each independent non-executive Director in accordance with the factors set out in Rule 3.13 of the Hong Kong Listing Rules, and the Company believes that all independent non-executive Directors are independent parties for the year ended December 31, 2023.

SERVICE CONTRACTS AND ENGAGEMENT LETTERS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each Director on April 29, 2022 with the term of office commencing from the date when they are elected as Directors of the third session of the Board at the general meeting of the Company till the expiry of the term of office of the third session of the Board, and are subject to re-election upon expiry of their terms of office. The Company has also entered into a service contract with each Supervisor on April 29, 2022 with the term of office commencing from the date when they are elected as Supervisors at the general meeting or the employee congress (as the case may be) of the Company till the expiry of the term of office of the third session of the Supervisory Committee, and are subject to re-election upon expiry of their terms of office.

The Company confirmed that no Director or Supervisor has entered into a service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended December 31, 2023 and up to the date of this annual report, none of the Directors or Supervisors had a material interest, directly or indirectly, in any transactions, arrangements or contracts to which the Company, any of its subsidiaries or fellow subsidiaries is a party and are material to the business of the Group.

MANAGEMENT CONTRACTS

During the Reporting Period and up to the date of this annual report, the Company has not entered into or executed any contracts regarding the management and administration of all or any material part of its business.

MATERIAL CONTRACTS

During the Reporting Period, the Company entered into a framework agreement with Broad Lingmu in relation to procurement of equipment, please refer to the disclosure in the section headed "Report of the Board – Continuing Connected Transactions – Framework Agreement with Broad Lingmu in Relation to Equipment Procurement" for details. Save as those disclosed in this annual report, during the Reporting Period, the Company or any of its subsidiaries did not have any material contracts with controlling shareholders or their subsidiaries under Appendix D2 to the Hong Kong Listing Rules, nor did the controlling shareholders or their subsidiaries have any significant contracts to provide services to the Company or its subsidiaries.

REMUNERATION POLICY

The Company has established a Remuneration and Appraisal Committee in accordance with the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules to review the remuneration policy of the Group and the remuneration structure of the Directors and senior management of the Group. The Board determines the remuneration of the Directors, Supervisors and senior management of the Group with reference to the recommendations of the Remuneration and Appraisal Committee after taking into account the Group's operating results, personal performance and comparable market practices.

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

The Company confirms that none of the Directors have waived or agreed to waive any remuneration, nor has the Group paid any remuneration to any Director as an inducement to join or upon joining the Group or as compensation for loss of office.

EQUITY-LINKED AGREEMENTS

The Group did not enter into and did not have any equity-linked agreements.

RETIREMENT AND EMPLOYEE BENEFIT SCHEME

Details of the Company's retirement and employee benefit scheme are set out in note 6(b) to the consolidated financial statements.

DISCRETIONARY PLAN OF THE COMPANY – 2021 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, 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. The Company does not set a validity period for the 2021 Medium and Long-Term Incentive Plan, which shall remain in force unless terminated earlier pursuant to a resolution of the Board or a resolution of the general meeting of the Company. In view of the impact of the COVID-19 pandemic in China and the actual situation of the Company, on December 30, 2022, the Board has considered and agreed not to implement the 2021 Medium to Long-Term Incentive Plan in 2022. On July 6, 2023, the Board further clarified the allocation method of the 2021 Medium to Long-Term Incentive Plan, and entrusted the custodian to set up a single trust fund scheme to purchase 10 million H Shares of the Company in the secondary market, and the Company will make a virtual grant and registration of Shares for the incentive targets upon satisfaction of the conditions for granting, entrust the sale of Shares as and when appropriate, and the proceeds will be distributed based on the corresponding shareholding after the funds are settled. For avoidance of doubt, the plan and the related allocation method do not involve the grant of existing shares or new shares available for issue, or the grant of options over existing shares or new shares available for issue, of the Company or any of its subsidiaries, and therefore do not fall within the scope of the requirements of Chapter 17 of the Listing Rules. Statements in this report relating to the grant and vesting of H Shares in the Company do not represent actual grant and vesting. Please refer to the Company's announcements dated September 28, 2021, December 30, 2022 and July 6, 2023 and circular dated October 6, 2021 for details and update of the 2021 Medium and Long-Term Incentive Plan.

The main contents of the 2021 Medium and Long-Term Incentive Plan are summarized below:

The incentive targets of the 2021 Medium and Long-Term Incentive Plan include Directors, senior management members of the Company and outstanding key business personnel that the Company considers should be motivated, excluding those who are not eligible to become incentive targets in accordance with the requirements of relevant laws and regulations. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will review and determine the Incentive Targets and determine the number of restricted shares and/or share options to be granted. Under the restricted share incentive plan and the share option incentive plan, the Company will entrust the custodian to purchase a certain number of H Shares in the secondary market to be granted to the incentive targets. The custodian is not entitled to voting rights in any of the Shares it holds under the 2021 Medium and Long-Term Incentive Plan. There is no agreed limit on the maximum entitlement of each incentive target under the 2021 Medium to Long-Term Incentive Plan and he/she is not required to pay any amount upon acceptance of the H Shares granted.

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, representing 0.62% of the total number of issued Shares of the Company as at the date of the annual report. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) originally proposed to identify the incentive targets and implement the grants in 2022, the vesting of which will begin in 2023. The lock-up period of restricted shares is originally proposed to start from the date on which the restricted shares are granted to the incentive targets till December 31, 2022. The incentive targets are not required to contribute capital, and the amount for purchase of restricted shares will be paid by the Company.

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, and if the options are exercised in full, the Company will grant a total of 7 million H Shares to the incentive targets, representing 1.44% of the total number of issued Shares of the Company as at the date of the annual report. The incentive targets are originally proposed to have the right to purchase H Shares of the Company at the exercise price of the options during the period from January 1, 2023 to December 31, 2027, subject to the fulfillment of the exercise conditions of share options. The exercise price of the options was determined by the Board after due consideration. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) originally proposed to identify the incentive targets and grant share options at the end of 2022. The share options are originally proposed to be valid from the date of granting of share options to the incentive targets till December 31, 2027. The lock-up period of share options is originally proposed to start from the date of granting share options to incentive targets to December 31, 2022. On July 6, 2023, the Board (including the independent non-executive Directors) considered and approved the exercise of 7 million H Share Options under the share option incentive plan with effect from July 6, 2023 at an exercise price of HK$0. Following the exercise, the subsequent dealing of the Shares will no longer be materially different from the restricted share incentive plan. In determining the exercise price, the Board mainly considered that the allocation method under the 2021 Medium to Long-Term Incentive Plan does not involve the actual transfer of the Company's Shares and that ultimately, it is at the sole discretion of the Company to entrust the sale of the Shares and the allocation of the proceeds as and when appropriate, and therefore the Board considers that the existing exercise price is in line with the purpose of the 2021 Medium to Long-Term Incentive Plan, and that it is capable of attracting, retaining and motivating the Directors and the senior management of the Company as well as the outstanding business executives who are deemed to be qualified for incentives by the Company through the allocation of proceeds in the future.

Details of H Shares granted under the 2021 Medium and Long-Term Incentive Plan during the Reporting Period are summarized as follows:

Incentive targets	Date of grant (Note 1)	Movement of the number of H Shares under the 2021 Medium and Long-Term Incentive Plan during the Reporting Period					
		Not yet vested as at January 1, 2023	Granted (Note 2)	Vested (Note 3)	Lapsed	Cancelled	Not yet vested as at December 31, 2023
Hu Shengli (Note 6) (Executive Director, vice chairman, president)	July 6, 2023	–	200,000	–	–	–	200,000
Shi Donghong (Executive Director, vice president, chief financial officer, secretary of the Board, joint company secretary)	July 6, 2023	–	200,000	–	–	–	200,000
Zhang Kexiang (Executive Director, vice president)	July 6, 2023	–	140,000	–	–	–	140,000
Tan Xinming (Executive Director, vice president)	July 6, 2023	–	200,000	–	–	–	200,000
Subtotal for Directors		**–**	**740,000**	**–**	**–**	**–**	**740,000**
Employees	July 6, 2023	–	5,610,382	–	–	–	5,610,382
Subtotal for employees		**–**	**5,610,382**	**–**	**–**	**–**	**5,610,382**
Total		**–**	**6,350,382**	**–**	**–**	**–**	**6,350,382**
Five highest paid employees (Note 7)	July 6, 2023	–	520,000	–	–	–	520,000
Total (five highest paid employees)		**–**	**520,000**	**–**	**–**	**–**	**520,000**

Note 1: According to the rules of the restricted share incentive plan, after the expiration of the lock-up period of restricted shares and commencing from January 1, 2023, the persons authorized by the Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will determine whether vesting may occur. On July 6, 2023, the Board further clarified and authorized the management to decide at its sole discretion on the arrangements for the vesting of the Shares granted on July 6, 2023 based on actual situation during the period from July 6, 2023 to July 5, 2024. The Company will make an announcement in due course if it makes further decisions on the vesting arrangements of the Shares granted.

Note 2: The closing price of the Shares immediately before the date on which the H Shares were granted under the 2021 Medium and Long-Term Incentive Plan was HK$1.78 per Share. According to the rules of the restricted share incentive plan, the Company will, at its discretion, select qualified individuals as incentive targets in line with the Company's future business development planning cycle, taking into account various factors including but not limited to incentive target's expected contribution to the Company, the Company's overall business objectives and future development plans and any other matters that the Board or the Remuneration and Appraisal Committee of the Board (as the case may be) considers relevant.

Note 3: During the Reporting Period, no H Shares were vested to Directors or employees under the 2021 Medium to Long-Term Incentive Plan and the Company did not entrust the sale of Shares and therefore no allocation of proceeds was made.

Note 4: As at January 1, 2023 and December 31, 2023, the number of Shares available for grant under the 2021 Medium and Long-Term Incentive Plan was 10,000,000 H Shares and 3,649,618 H Shares, respectively.

Note 5: The 2021 Medium and Long-Term Incentive Plan does not involve the issuance of new Shares. Accordingly, the weighted average of the number of Shares that may be issued under the 2021 Medium and Long-Term Incentive Plan divided by the number of Shares in issue during the Reporting Period is not applicable.

Note 6: Mr. Hu Shengli has resigned as an executive Director, the vice chairperson and the president of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

Note 7: Based on note 9 to the financial statements, the five highest paid employees include three Directors and two non-Director employees.

For the year ended December 31, 2023, the aggregate fair value of the H Shares granted on July 6, 2023 under the 2021 Medium and Long-Term Incentive Plan was RMB4,977,226. The estimated value of the H Shares granted to Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang, Mr. Tan Xinming, other eligible employees and the five highest paid employees on that date was RMB156,754, RMB156,754, RMB109,728, RMB156,754, RMB4,397,236 and RMB407,559, respectively.

Incentive Targets	Date of grant	Total number of Shares granted	Fair value of H shares granted RMB
Hu Shengli (Note)	July 6, 2023	200,000	156,754
Shi Donghong	July 6, 2023	200,000	156,754
Zhang Kexiang	July 6, 2023	140,000	109,728
Tan Xinming	July 6, 2023	200,000	156,754
Employees	July 6, 2023	5,610,382	4,397,236
Total		**6,350,382**	**4,917,226**
Five highest paid employees	July 6, 2023	520,000	407,559

Note: Mr. Hu Shengli has resigned as an executive Director, the vice chairperson and the president of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

Please refer to note 2(s)(ii) to the financial statements for the accounting standards and policies adopted in respect of the fair value of the H Shares granted on July 6, 2023.

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

As of December 31, 2023, the Directors, Supervisors and the chief executives of the Company had the following interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate 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
Mr. Zhang Jian	Domestic Shares	Beneficial owner	10,053,540	2.06	5.65	–	Long position
		Interest held by controlled corporations	58,614,460 (Note 2)	12.02	32.96	–	Long position
	H Shares	Beneficial owner	150,000,000	30.76	–	48.42	Long position
		Interest held by spouse	10,431,600 (Note 3)	2.14	–	3.37	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	Beneficial owner	200,000	0.04	–	0.06	Long position
		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
	H Shares	Beneficial owner	140,000	0.03	–	0.05	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
	H Shares	Beneficial owner	200,000	0.04	–	0.06	Long position
Mr. Zhang Quanxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 7)	5.21	14.29	–	Long position
Mr. Hu Shengli	H Shares	Beneficial owner	345,800 (Note 8)	0.07	–	0.11	Long position

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.* (湖南遠大鈴木住房設備有限公司) ("**Broad Lingmu**") directly holds 25,776,660 Domestic Shares and indirectly holds 14,237,800 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)* (長沙高新開發區大鑫投資管理合夥企業(有限合夥)) ("**Daxin Investment**") directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd.* (湖南大正投資股份有限公司) ("**Dazheng Investment**") directly holds 9,101,800 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業(有限合夥)) ("**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 approximately 67.94% partnership interest in Daxin Investment. Mr. Zhang Jian 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 10,431,600 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 10,431,600 H Shares for the purpose of Part XV of the SFO.

(4) Each of Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming has been granted certain Shares through Daxin Investment and Dazheng Investment, being employee stock ownership platforms of the Company.

(5) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 5,136,000 Domestic Shares. 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 Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業(有限合夥)) ("**Yuanzhi Fuhai**") directly holds 25,404,000 Domestic Shares. The general partner 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. Zhao Hui (趙輝先生). 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.

(8) Mr. Hu Shengli has resigned as an executive Director of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

Save as those disclosed above, as of December 31, 2023, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period 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 December 31, 2023, as far as the Directors 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 and the Hong Kong Stock Exchange 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	25,776,660	5.29	14.50	–	Long position
		Interest held by controlled corporations	14,237,800 (Note 3)	2.92	8.00	–	Long position
Hunan Xiangtan Caixin Chanxing Equity Investment Partnership (Limited Partnership)	Domestic Shares	Beneficial owner	49,500,000	10.15	27.84	–	Long Position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	10.46	–	Long position
Shanghai Xinji Investment Center (Limited Partnership)	Domestic Shares	Beneficial owner	27,560,000	5.65	15.50	–	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	9,101,800	1.87	5.12	–	Long position

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 25,776,660 Domestic Shares, Dazheng Investment directly holds 9,101,800 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian 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. Zhao Hui (趙輝先生). 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.

Save as those disclosed above, as at December 31, 2023, 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.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During the Reporting Period, except as described in the 2021 Medium and Long-Term Incentive Plan in the Report of the Board, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any other of the Company's H Shares during the Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Articles of Association and the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

For details on non-competition agreement and undertakings, please refer to the section headed "Non-competition Agreement and Undertakings" as set out under the section headed "Relationship with the Controlling Shareholders" in the Prospectus.

Mr. Zhang Jian (the controlling shareholder of the Company) and his spouse Ms. Liu Hui confirmed that they had complied with the Non-competition Agreement and Undertakings during the Reporting Period. The independent non-executive Directors have reviewed their relevant undertakings and believed that they fully complied with the Non-competition Agreement and Undertakings.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, none of the Directors or their associates had any interest in any business which directly or indirectly competes or may compete with the businesses of our Group during the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into a continuing connected transaction which is subject to the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Framework Agreement with Broad Lingmu in Relation to Equipment Procurement

The Company expects that the transactions in relation to the equipment procurement will continue to occur in the ordinary and usual course of business of the Group. Therefore, on March 31, 2023, the Company and Broad Lingmu entered into the framework agreement in relation to the equipment procurement (the "**Framework Agreement**") for a term from January 1, 2023 to December 31, 2025. Pursuant to the Framework Agreement, the Company or its subsidiaries shall purchase equipment such as bathrooms, wall panels, decoration materials from Broad Lingmu or its associates, and the Company or its subsidiaries shall pay the purchase amount to Broad Lingmu or its associates. Broad Bathroom, a subsidiary of Broad Lingmu, has been providing bathroom fixtures and decoration for the modular building products of the Company for a long time. Based on the long-term cooperation relationship in the past, Broad Bathroom has a good understanding of the Group's business and can better ensure the quality, customization and after-sales service standards of the equipment to meet the needs of the Group. With the successive launch of the modular building business and the fully prefabricated construction EPC business by the Company, the Group's demand for integrated bathrooms and related decoration materials will increase significantly. In view of the historical long-term cooperation between Broad Lingmu and the Company and that the prices and terms offered by Broad Lingmu are in line with the prevailing market prices and conditions, the Company considers that the purchase of equipment from Broad Lingmu can meet the needs of the Group and is beneficial to the business development of the Group.

As Mr. Zhang Jian holds 100% equity interest in Broad Lingmu, Broad Bathroom constitutes an associate of Mr. Zhang Jian and thus a connected person of the Company, and the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

Pursuant to the Framework Agreement, the annual cap on the purchase amount for the financial year ended December 31, 2023 shall be RMB30,515,503.38. The annual cap on the purchase amount is calculated based on various factors, including (i) historical actual purchase amount; (ii) new business development leading to a significant increase in demand for expected equipment procurement; and (iii) a buffer for the annual caps to cater for factors such as possible fluctuations in transactions and cost inflation in the future. For the year ended December 31, 2023, the purchase amount was RMB5,476,503.68, which did not exceed the applicable annual cap.

As the highest applicable percentage ratio in respect of the proposed annual caps for the purchase amount under the Framework Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. Please refer to the Company's announcement dated March 31, 2023 for details of the Framework Agreement and the transactions contemplated thereunder.

Confirmation from the Independent Non-Executive Directors

According to Rule 14A.55 of the Hong Kong Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors, who have confirmed that the above continuing connected transactions were:

(a) entered into in the ordinary and usual course of business of the Group;

(b) entered into on normal commercial terms or better; and

(c) entered into on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole according to the agreement governing them.

Confirmation from the Auditor

According to Rule 14A.56 of the Hong Kong Listing Rules, the Board received a letter from the auditor confirming that the above continuing connected transactions:

a. have been approved by the Company's board of directors;

b were, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

c. were entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. have not exceeded the annual cap as set by the Company.

During the Reporting Period, save as disclosed above, the Company did not have any non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed above, other related-party transactions described in note 32 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations and other donations of RMB0.1 million (2022: RMB0.8 million).

COMPLIANCE WITH LAWS AND REGULATIONS

As the Group's primary business operations are conducted in China, the Group is subject to relevant laws and regulations in the PRC, including but not limited to general laws and regulations relating to quality, safety in production, environmental protection, intellectual property rights and labor and personnel. At the same time, as a joint stock company incorporated in China with limited liability and listed on the Hong Kong Stock Exchange, the Company is governed by relevant domestic laws and regulations such as the Company Law, as well as Hong Kong laws and regulations such as the Hong Kong Listing Rules, the SFO, etc.

The Group has implemented internal control and risk management to ensure compliance with such laws and regulations. For the year ended December 31, 2023, to the best knowledge of the Board, the Group did not violate any relevant laws and regulations which had a significant impact on the Group's development, performance and business.

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2023, the Group were not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there was no material legal proceeding or claim which is pending or threatening against the Group.

Report of the Board

PERMITTED INDEMNITY PROVISIONS

The Group has arranged for appropriate insurance for potential legal proceedings against the Directors, Supervisors and senior management due to their positions.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules. The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2023 together with the management and the Company's external auditors.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance practices. Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 68 to 90 of this annual report.

PUBLIC FLOAT

According to information publicly available to the Company and to the knowledge of the Directors, at least 25% of the total issued shares of the Company (i.e. the minimum public float required by the Hong Kong Listing Rules) are held by the public at any time during the Reporting Period and up to the date of this annual report.

AUDITOR

KPMG was appointed as the auditor of the Company for the year ended December 31, 2023. KPMG has audited the financial statements prepared in accordance with IFRSs as of December 31, 2023 and issued an unqualified audit report thereon.

A resolution on proposed re-appointment of KPMG as auditor of the Company will be submitted at the AGM.

The Company did not change auditor in the past three years.

By order of the Board
Changsha Broad Homes Industrial Group Co., Ltd.
Zhang Jian
Chairman

Changsha • Hunan
March 28, 2024

Report of the Supervisory Committee

Dear Shareholders:

During the Reporting Period, the Supervisory Committee, in strict accordance with the requirements of the Company Law and other relevant laws and regulations, the Articles of Association and the Rules of Procedure of the Supervisory Committee, and following the principle of integrity and accountability towards the Company and all of its Shareholders, earnestly fulfilled its supervisory duties and proactively carried out various tasks to perform supervision and inspection upon the compliance operation of the Company, the Company's finance, the implementation of the resolutions passed by the general meetings of the Company, the Board's processes of making material decisions and the compliance of the Company's operation and management as well as the performance of their duties by the Directors and the management personnel of the Company. Members of the Supervisory Committee discharged their duties in diligence with good faith and dedication, thereby bringing a significant contribution to the constant improvement of corporate governance and continuous optimization and upgrading of the Group, and realizing the purpose of securing stable and sustainable high-quality development of the Group.

I. WORK CARRIED OUT BY THE SUPERVISORY COMMITTEE

1. Meetings Convened

During the Reporting Period, the Supervisory Committee convened two meetings in total:

a. On March 31, 2023, the third meeting of the third session of the Supervisory Committee was convened by means of on-site voting, at which the 2022 Annual Report and Results Announcement (《2022年年度報告及業績公告》), the Work Report of the Supervisory Committee for 2022 (《2022年度監事會工作報告》), the 2022 Financial Statements (《2022年度財務報表》), the 2022 Financial Report (《2022年度財務決算報告》), the 2023 Financial Budget Report (《2023年度財務預算報告》), the Proposal in Relation to Profit Distribution of the Company for 2022 (《關於公司2022年度利潤分配的議案》), the Proposal in Relation to Appointment of Auditor for 2022 (《關於聘請2023年度審計機構的議案》), the Proposal in Relation to Confirmation of the Connected Transaction Between the Company and Changsha Broad Bathroom Co., Ltd. for the Year of 2022 (《關於確認公司2022年度與長沙遠大整體浴室有限公司關連交易的議案》) and the Proposal in Relation to the Continuing Connected Transaction of Signing the Product Procurement Framework Agreement (《關於簽署產品採購框架協議的持續性關連交易的議案》) were considered and approved and filed into resolutions.

b. On August 31, 2023, the fourth meeting of the third session of the Supervisory Committee was convened by means of on-site voting, at which the Proposal in Relation to the 2023 Interim Report and the Interim Results Announcement of the Company (《關於公司2023年中期報告及中期業績公告的議案》) was considered and approved and filed into resolution.

2. Discharging of Responsibilities

During the Reporting Period, the members of the Supervisory Committee attended all the general meetings and Board meetings of the Company and supervised over the procedures and substances of relevant meetings and raised suggestions and advice thereon. Besides, they also performed supervision on the Company's decision-making process during its operation, compliance operation, financial position and the discharging of responsibilities of the Directors and management personnel of the Company during the daily operation of the Company. Reasonable suggestions and advice put forward by the Supervisory Committee were adopted by the Company, which satisfyingly safeguarded the legitimate interests of the Company and its Shareholders.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. Opinions with Respect to the Compliance Operation of the Company

In 2023, in line with the requirements of the Company Law and other laws and regulations, and the Articles of Association and other relevant regulatory provisions, the Supervisory Committee exercised supervision over the convening procedures of the general meetings and the Board meetings, the resolutions passed thereon, the Board's implementation of the resolutions passed by the general meetings and the performance of duties by the senior management.

The Supervisory Committee is of the opinion that, the Company carried out operations and decision-making process in strict accordance with the Company Law and other laws and regulations, and the Articles of Association and other relevant regulatory provisions. The Board operated in a normative manner with procedures in compliance with laws and decisions made in a rational means, and maintained an objective and prudent examining perspective towards the Company's operation, to reach legal and rational decisions and implement various resolutions passed by the general meetings with due care. The Directors and senior management faithfully performed their duties in diligence and did not breach any laws, regulations or the Articles of Association or committed any acts detrimental to the interests of the Company. All resolutions passed by the general meetings were properly implemented.

2. Opinions with Respect to the Finance of the Company

The Supervisory Committee carefully considered the financial report of the Company for 2023 and accompanying information prepared in accordance with the IFRSs and audited by the independent auditors of the Company with unqualified opinions. The Supervisory Committee is of the opinion that, the financial report of the Company for 2023 gave an objective and true view of the Company's financial position and operating results.

In the new year, the Supervisory Committee will continue to comply with the requirements of relevant laws, regulations and the Articles of Association, discharge its supervisory duties and give full play to its supervision and counterbalance functions based closely on the development of the Company, so as to consistently enhance the corporate governance ability of the Company and effectively safeguard and protect the legitimate rights and interests of the Shareholders and the Company.

Changsha Broad Homes Industrial Group Co., Ltd.
Zhou Feng
Chairman of the Supervisory Committee

Changsha • Hunan
March 28, 2024

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report as set out in the annual report of the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high level of corporate governance to safeguard the rights and interests of Shareholders and enhance corporate value as well as the accountability assumed by the Board towards the Shareholders. The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019. As a company incorporated in the PRC and listed on the Hong Kong Stock Exchange, the Company complies with the relevant requirements of the Hong Kong Listing Rules and meanwhile takes the Company Law and applicable laws, regulations and regulatory requirements in both mainland and Hong Kong as its basic guidelines of corporate governance.

The Company has adopted the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules as its own corporate governance standards. The Directors are of the opinion that, during the Reporting Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code. The Company will continue to review and supervise over its corporate governance practice to ensure compliance with the Corporate Governance Code.

CORPORATE CULTURE

The Company's corporate culture encompasses the mission of "striving to modernise the construction industry" and the value of "non-speculation, professionalism and dedication". The Company believes that a healthy corporate culture is the core of effective corporate governance, and all directors shall act with integrity, lead by example and strive to promote a corporate culture. The Company places emphasis on the communication and promotion of corporate culture and adheres to accountability and review to enable all management and staff to understand the core values of corporate culture and proper conduct and continuously strengthen the concept of "acting legally, ethically and responsibly". The Company has incorporated the promotion of corporate culture into various staff training materials, work reporting processes and thematic discussions, formulated and improved the codes of conduct of staff and talent management system, strengthened and improved the communication mechanism between management and staff, and obtained information on staff's recognition of corporate culture or issues identified through various channels.

BOARD

Overview

The Board is responsible for the overall leadership of the Group, and it oversees the Group's strategic decisions and monitors the Group's business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four special committees under the Board, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Board has assigned responsibilities as stipulated in their terms of reference to each special Board committee.

All the Directors shall ensure that they perform their duties in the principle of integrity, in compliance with applicable laws and regulations and in any event for the interests of the Company and its Shareholders as a whole.

The Company has arranged appropriate insurances in respect of legal actions against its Directors, and it will review the coverage of such liability insurances on an annual basis.

The Company has established internal policies (including but not limited to the Articles of Association and Terms of Reference of the Nomination Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's procedures and selection criteria for the election of Directors (including independent non-executive Directors), the system of abstention from voting by connected Directors, and the right of independent non-executive Directors to defer proposals from the Board. The Company has reviewed the implementation and effectiveness of the above mechanisms and considers that such mechanisms can ensure that the Board is provided with independent views and opinions.

Board composition

The Board currently comprises ten Directors, including five executive Directors, one non-executive Director and four independent non-executive Directors. Details are as follows:

Executive Directors:
Mr. Zhang Jian *(Chairman and President) (appointed as President on March 28, 2024)*
Ms. Tang Fen *(Vice President)*
Mr. Hu Shengli *(Former executive Director, former vice Chairperson and former President, resigned as executive Director, vice Chairperson and President on March 28, 2024)*
Ms. Shi Donghong *(Vice President, Chief Financial Officer, Secretary of the Board and Joint Company Secretary)*
Mr. Zhang Kexiang *(Vice President)*
Mr. Tan Xinming *(Vice President)*

Non-Executive Director:
Mr. Zhang Quanxun

Independent Non-Executive Directors:
Mr. Chen Gongrong
Mr. Li Zhengnong
Mr. Wong Kai Yan Thomas
Mr. Zhao Zhengting

The biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report. Save as disclosed in the biographies of the Directors as set out under the section headed "Directors, Supervisors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director, Supervisor or chief executive.

The Board comprises renowned experts in the fields of, among other things, industry, finance, management and asset management. The Nomination Committee will review the structure of the Board at least once each year. The Board consists of four independent non-executive Directors, of whom Mr. Chen Gongrong is qualified as an accountant and also serves as the chairman of the Audit Committee. The Company believes that, during the Reporting Period, the composition of the Board had been in compliance with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules, which require that the board of directors should include at least three independent non-executive directors and at least one of them shall own appropriate professional qualifications or accounting or related financial management expertise, and Rule 3.10A of Hong Kong Listing Rules, which requires that independent non-executive directors shall account for at least one third of the board of directors, as well as Rule 3.21 of Hong Kong Listing Rules with respect to the qualifications of members of the audit committee. In addition, the name list of independent non-executive Directors is disclosed in all of the corporate communications published in accordance with the Hong Kong Listing Rules.

The Company has received the annual confirmation letter issued by each of the independent non-executive Directors in respect of their independence in accordance with the factors set out in Rule 3.13 of the Hong Kong Listing Rules to confirm their independence. Therefore, the Company considers the independent non-executive Directors to be independent.

All of the Directors (including non-executive Directors and independent non-executive Directors) have brought a wide spectrum of valuable business experience, knowledge and specialized skills to the Board for its efficient and effective functioning. Through active participation in Board meetings, the non-executive Directors have played a positive role in customary issues that involve potential conflict of interests. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

As regards the Corporate Governance Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant undertakings as well as their capacity and the commencing time and duration of their offices in the issuer, Directors have agreed to disclose their aforesaid information to the Company in due course. Details of the biographies of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report .

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company provides necessary induction to all Directors to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant positions, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Hong Kong Listing Rules and other relevant legal and regulatory requirements from time to time. The Company also provides the Directors with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages all Directors to participate in continuous professional development, to develop and update their knowledge and skills. The joint company secretaries of the Company update and provide written training materials on roles, functions and duties of directors from time to time.

According to materials provided by the Directors, during the year ended December 31, 2023, the Directors received the following trainings:

Name of Director	Nature of continuous professional development courses
Executive Directors	
Mr. Zhang Jian	A, B
Ms. Tang Fen	A, B
Mr. Hu Shengli	A, B
Ms. Shi Donghong	A, B
Mr. Zhang Kexiang	A, B
Mr. Tan Xinming	A, B
Non-Executive Director	
Mr. Zhang Quanxun	A, B
Independent Non-Executive Directors	
Mr. Chen Gongrong	A, B
Mr. Li Zhengnong	A, B
Mr. Wong Kai Yan Thomas	A, B
Mr. Zhao Zhengting	A, B

Notes:

A: Participation in seminars, meetings, forums and/or training courses.

B: Reading materials provided by external parties or the Company include but not limited to the latest materials on the business of the Company, latest updates on duties of Directors, corporate governance and regulation and other applicable regulatory requirements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by code provision C.2.1 of the Corporate Governance Code, the roles of chairman of the board of directors and chief executive officer should be separate and performed by different individuals.

During the Reporting Period, the chairman of the Board and the president of the Company were served by Mr. Zhang Jian and Mr. Hu Shengli respectively, being two different positions with expressly stipulated duties. The chairman of the Board is responsible for providing strategic advice and guidance for the development of the Group, leading the Board and guaranteeing effective operation of the Board in accordance with sound corporate governance practice and procedures, as well as advocating an open and active discussing culture to promote the Directors (especially the non-executive Directors) to effectively contribute to the Board and ensure the constructive relationship between the executive Directors and non-executive Directors. The president is responsible for the daily operation of the Group and implementing the objectives, policies and strategies assigned by the Board.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, Directors shall be elected at general meetings with a term of office of three years. Upon the expiry of the term of office, a Director shall be eligible to offer himself/herself for re-election and re-appointment.

The Company entered into a service contract with each Director on April 29, 2022, with a term of office starting from the date on which they were appointed as Directors to the third session of the Board by the general meeting and terminating upon expiry of the term of the third session of the Board. They shall be eligible for re-election and re-appointment upon expiry of their terms.

The Company confirmed that no Director has entered into a service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The procedures underlying the appointment, re-election, re-appointment and removal of the Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and making recommendations to the Board on appointment, re-election, re-appointment and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly and convenes at least four Board meetings per annum, approximately one meeting for every quarter. Notice of a regular Board meeting shall be served on all Directors at least 14 days before the date of the meeting to provide all Directors with an opportunity to attend the regular meeting and discuss matters in the agenda for such regular meeting.

According to the Articles of Association and the terms of reference of each special committee under the Board, the Company will issue appropriate notice for extraordinary board meetings and meetings of the special committees under the Board. The meeting notice shall include the agenda and accompanying board and special committee papers and shall be served at least five days prior to an extraordinary Board meeting and three days prior to a meeting of the special committee under the Board to ensure that Directors have sufficient time to review the papers and to prepare adequately for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed on the meeting and given an opportunity to express their views to the Board or the special committees under the Board prior to the meeting. The joint company secretaries or the Board office shall keep meeting minutes and provide copies of minutes of such meetings to all Directors for reference and record.

Minutes of the Board meetings and special committee meetings will be recorded in details for the matters considered by the Board and the special committees and the decisions reached thereby, including any concerns raised by the Directors. Draft minutes of each Board meeting and special committee meeting will be sent to each Director for consideration within a reasonable time after the date on which the meeting is held. Minutes of Board meetings are available for inspection by all the Directors.

During the Reporting Period, the Board convened 7 Board meetings and two general meetings. The table below sets out the attendance of each Director at the Board meetings and general meetings:

Director	Number of actual attendance at Board meetings/Number of required attendance at Board meetings	Number of actual attendance at general meetings/Number of required attendance at general meetings
Mr. Zhang Jian	7/7	2/2
Ms. Tang Fen	7/7	2/2
Mr. Hu Shengli	7/7	2/2
Ms. Shi Donghong	7/7	2/2
Mr. Zhang Kexiang	7/7	2/2
Mr. Tan Xinming	7/7	2/2
Mr. Zhang Quanxun	7/7	2/2
Mr. Chen Gongrong	7/7	2/2
Mr. Li Zhengnong	7/7	2/2
Mr. Wong Kai Yan Thomas	7/7	2/2
Mr. Zhao Zhengting	7/7	2/2

Save for the above Board meetings, the chairman and the independent non-executive Directors convened a meeting without attendance of other Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 to the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by Directors. Upon specific enquiry to all Directors and Supervisors, they confirmed that they have complied with the code of conduct as set out in the Model Code during the year ended December 31, 2023.

Since the Listing Date, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company when dealing with the Company's securities.

DELEGATION BY THE BOARD

The Board is responsible to the general meeting of the Company and reserves the decision-making rights for all material matters, including: deciding on the Company's business plans and investment plans; within the scope authorized by the general meeting, deciding, among others, the Company's external investment, purchase and sale of assets, assets mortgage, wealth management entrustment, bank credit and connected transactions; deciding on the provision of security for the third parties; deciding on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices; and engaging or dismiss the Company's president, secretary to the board of directors; vice president, chief financial officer and other senior management members. Directors have recourse to seek independent professional advice in performing their duties at the Company's expense. They are also encouraged to consult with the Company's senior management independently.

The senior management of the Company is responsible for the Group's daily management, administration and operation. The delegated functions and responsibilities are periodically reviewed by the Board to ensure the rationality of the delegation arrangement. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) To review and monitor the training and continuous professional development of Directors and senior management;

(c) To develop, review and monitor the codes of conduct and compliance manual for employees and Directors;

(d) To develop and review the corporate governance policy and practice of the Company and to make recommendations and report the same to the Board;

(e) To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and

(f) To review and monitor the Company's compliance with its whistleblowing policies.

During the Reporting Period, the Board has performed the above duties.

SPECIAL COMMITTEES UNDER THE BOARD

The Board has established four special committees under the Board, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. All the special committees under the Board have written terms of reference with a clear division of rights and responsibilities. The terms of reference of the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy Committee are available for inspection on the websites of the Hong Kong Stock Exchange and of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely Mr. Chen Gongrong (chairman), an independent non-executive Director, Mr. Li Zhengnong, an independent non-executive Director and Mr. Wong Kai Yan Thomas, an independent non-executive Director. Mr. Chen Gongrong possesses appropriate accounting or finance management-related expertise.

Set forth below are the principal duties of the Audit Committee:

1. To make recommendations to the Board regarding the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handle any question of its resignation or dismissal;

2. To review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature, scope and method of the audit and the relevant reporting obligations before the audit commences; to develop and implement policy on engaging an external auditor to provide non-audit services; and to be responsible for the communication between the internal audit department and external auditor;

3. To monitor the truthfulness, completeness and accuracy of the financial statements, annual reports and accounts, interim reports and quarterly reports (if any) of the Company, and to review significant financial reporting opinions contained therein;

4. To examine the Company's financial control, internal control and risk management systems;

5. To discuss the risk management and internal control system with the management to ensure that the management has performed its duty to have an effective risk management and internal control system;

6. To review the financial and accounting policies and practices of the Company;

7. To review the Company's risk management strategies and solutions for key risk management issues;

8. To confirm the list of the Company's connected parties, and conduct an overall review of connected transactions and regular inquiries of the overall state of connected transactions.

During the Reporting Period, the Audit Committee convened two meetings for the purpose of discussing and considering the followings:

1. The 2022 annual report and results announcement; the 2022 financial statements; the 2022 financial report; the 2023 financial budget report; the proposal in relation to profit distribution of the Company for 2022; the proposal in relation to appointment of auditor for 2023; the proposal on the 2022 work report of the Audit Committee of the Board of the Company; the proposal in relation to confirmation of the connected transaction between the Company and Changsha Broad Bathroom Co., Ltd. for the year of 2022 and the proposal in relation to the continuing connected transaction of signing the product procurement framework agreement.

2. The proposal in relation to the 2023 interim report and interim results announcement of the Company.

The Audit Committee has reviewed the annual results of the Company for the year ended December 31, 2023.

The table below sets forth the attendance of each member of the Audit Committee at the meetings:

Name of Director	Actual attendance/Required attendance
Mr. Chen Gongrong	2/2
Mr. Li Zhengnong	2/2
Mr. Wong Kai Yan Thomas	2/2

NOMINATION COMMITTEE

The Nomination Committee comprises three members, namely Mr. Li Zhengnong (chairman), an independent non-executive Director, Mr. Zhang Jian, an executive Director and Mr. Chen Gongrong, an independent non-executive Director.

Set forth below are the principal duties of the Nomination Committee:

1. To formulate the standards, procedures and methods for selection of directors and senior management of the Company and submit the same to the Board for consideration;

2. To review the structure, size, composition and member qualifications (including skills, expertise and experience) of the Board at least once each year, and to make recommendations for any change to the Board for complying with the strategy of the Company. The Committee shall maintain a Board membership diversity policy;

3. To identify individuals suitably qualified to become directors, and to examine the candidates for directors, president and secretary to the Board and make recommendations;

4. To screen the candidates for other management members and provide advice to the Board;

5. To evaluate the overall skill, expertise and experience of directors and senior management and assess the independence of the independent non-executive directors;

6. To make recommendations to the Board on the appointment or re-appointment of directors and succession plan for directors, in particular the chairman of the Board and the vice president;

7. To review the board diversity policy and any measurable objective for implementing such board diversity policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure of such diversity policy or its summary and its review results in the corporate governance report of the Company annually.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties. The recommendations of the Nomination Committee will then be put to the Board for decision.

During the Reporting Period, the Nomination Committee convened one meeting for the purpose of discussing and considering the followings:

1. the proposal on the 2022 work report of the Nomination Committee of the Board of the Company.

The table below sets forth the attendance of each member of the Nomination Committee at the meeting:

Name of Director	Actual attendance/Required attendance
Mr. Li Zhengnong	1/1
Mr. Zhang Jian	1/1
Mr. Chen Gongrong	1/1

NOMINATION POLICY OF THE DIRECTORS

The Company has formulated the procedure for nomination of candidates of Directors by the Shareholders. In accordance with the relevant requirements in Article 81 of the Articles of Association, a shareholder independently or shareholders collectively holding at least 3 percent of the total outstanding voting shares of the Company may propose to the general meeting candidates for the position of the Director who is not an employee representative in the form of a written proposal, provided that the number of persons nominated complies with the Articles of Association and does not exceed the number of persons to be elected. The Shareholder(s) shall submit the aforesaid proposal to the Company at least 14 days before the date the general meeting is to be held.

A candidate of the director must comply with the relevant qualification requirements set out in the Company Law, the Articles of Association and other applicable laws and regulations. The Nomination Committee has the right to review director candidates and make recommendations according to the Articles of Association, the Terms of Reference for the Nomination Committee of the Board of Directors and other relevant rules and regulations of the Company.

BOARD DIVERSITY POLICY

To achieve sustainable and balanced development, the Company recognizes and believes that the board diversity policy is beneficial for enhancing the performance of the Company. The Company deems that boosting diversity at the Board level is a must for realizing its strategic goals and pursuing sustainable development. The Company has formulated the board diversity policy, which outlines the principles for the Board to fulfill diversity. The Company is committed to selecting the best candidate for each position based on the diversity principle, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All the appointment(s) of the Board members will be based on meritocracy and all candidates will be evaluated in line with appropriate conditions with due consideration given to the benefit of board diversity. The Nomination Committee will review the board diversity policy and measurable objectives to ensure its effectiveness.

The Nomination Committee is mainly responsible for identifying persons with appropriate qualifications to serve as directors, takes full consideration of the board diversity policy in the selection process and includes such individuals who possess the qualities to become Board members in relevant list. The Nomination Committee will review such list on a regular basis in order to develop a pipeline of potential successors to the Board and promote gender diversity of the Board. The appointment of all members of the Board will give due regard to the benefits of the board diversity policy and will be based on the merits of each candidate and objective criteria.

During the Reporting Period, the Nomination Committee considered the Board of the Company to be sufficiently diverse with 2 female members out of 11 members. In addition, the Company aims to continue maintain the proportion of female members on the Board at over 20% over the next three years in order to achieve ongoing Board diversity.

In addition, as of December 31, 2023, the percentage of female members in all employees (including senior management) of the Company was 26%. The Company will take measures to promote gender diversity among all employees (including senior management) and will continue to maintain an over 25% proportion of female members in all employees (including senior management) within the next three years in accordance with our internal talent management policy. The Company plans to identify and select a number of female talents with different skills, experience and knowledge in different sectors to join the Company and provide a full range of trainings to female employees who we believe have the appropriate experience, skills and knowledge in operations and business, and such trainings include but are not limited to business operations, management, accounting and finance, legal compliance, and research and development.

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee comprises three members, namely Mr. Li Zhengnong (chairman), an independent non-executive Director, Mr. Chen Gongrong, an independent non-executive Director and Mr. Zhang Jian, an executive Director.

Set forth below are the principal duties of the Remuneration and Appraisal Committee:

1. To make recommendations to the Board on the Company's remuneration policies and structure for all Directors and senior management and on the establishment of a formal and transparent procedure for formulating such remuneration policies;

2. To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. To determine the remuneration packages (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) for all executive Directors and senior management and to make recommendations to the Board on the remuneration for non-executive Directors;

4. To formulate administrative measures for the performance appraisal of the senior management of the Company, prepare appraisal plans and determine appraisal purposes;

5. To review and approve performance-based remuneration by making reference to the corporate objectives approved from time to time by the Board;

6. To examine and approve compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that the compensation conforms to relevant contractual terms or, in case the compensation does not conform to relevant contractual terms, is fair and reasonable and no undue burden is placed on the Company;

7. To examine and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that the arrangements conform to relevant contractual terms or, in case the arrangements do not conform to relevant contractual terms, are otherwise reasonable and appropriate;

8. To ensure that no director or any of his/her associates (as defined under the Hong Kong Listing Rules) is involved in deciding his/her own remuneration.

During the Reporting Period, the Remuneration and Appraisal Committee convened one meeting for the purpose of discussing and considering the followings:

1. The proposal in relation to remuneration of Directors and Supervisors of the Company in 2022; and the proposal on the 2022 work report of the Remuneration and Appraisal Committee of the Board of the Company.

The table below sets forth the attendance of each member of the Remuneration and Appraisal Committee at the meeting:

Name of Director	Actual attendance/Required attendance
Mr. Li Zhengnong	1/1
Mr. Zhang Jian	1/1
Mr. Chen Gongrong	1/1

STRATEGY COMMITTEE

The Strategy Committee comprises three members, namely Mr. Zhang Jian (chairman), an executive Director, Ms. Tang Fen, an executive Director and Mr. Hu Shengli [Note], an executive Director.

Set forth below are the principal duties of the Strategy Committee:

1. To conduct research into the strategic development plan of the Company and make recommendations thereof;

2. To conduct research into the material investment and finance plans which are subject to the approval of the Board under the Articles of Association and make recommendations thereof;

3. To conduct research into the material capital operations and assets operating projects which are subject to the approval of the Board under the Articles of Association and make recommendations thereof;

4. To conduct research into other material businesses which may influence the development of the Company and make recommendations thereof;

5. To supervise the implementation of the above matters;

6. To formulate and review the Company's environmental, social and governance responsibilities, vision, objectives, strategies, frameworks, principles and policies, and to strengthen the materiality assessment and report process to ensure and implement the ongoing implementation and enforcement of the environmental, social and governance policies approved by the Board;

7. To review and monitor the Company's environmental, social and governance policies and practices to ensure compliance with legal and regulatory requirements; and to review and monitor the Company's environmental, social and governance risk management and internal control systems to ensure that internal controls are effective and appropriate;

8. To supervise the channels and means of communication between the Company and its stakeholders and to ensure that relevant policies are in place to effectively promote the relationship between the Company and its stakeholders and to protect the reputation of the Company;

9. To review key trends in environmental, social and governance and the associated risks and opportunities and, in this regard, to assess the adequacy and effectiveness of the Company's environmental, social and governance-related structure and business model, to adopt and update the Company's environmental, social and governance policies where necessary and to ensure that such policies are up-to-date and comply with applicable laws, regulations, regulatory requirements and international standards;

10. To review and recommend to the board of directors for approval the Company's annual environmental, social and governance report and, meanwhile, to recommend specific actions or decisions for the Board's consideration to maintain the integrity of the environmental, social and governance report and to ensure that the Company's annual environmental, social and governance report is prepared in accordance with the environmental, social and governance reporting guidelines (including amendments thereto from time to time);

11. To oversee and review the work of the Company's environmental, social and governance working group, assess, review and report to the Board on the Company's environmental, social and governance performance against its objectives; and

12. Such other powers and functions as may be granted by the Board.

During the Reporting Period, the Strategy Committee convened one meeting for the purpose of discussing and considering the followings:

1. The proposal on the 2022 work report of the Strategy Committee of the Board of the Company; and the proposal on the 2022 environmental, social and governance (ESG) report of the Company.

The table below sets forth the attendance of each member of the Strategy Committee at the meetings:

Name of Director	Actual attendance/Required attendance
Mr. Zhang Jian	1/1
Ms. Tang Fen	1/1
Mr. Hu Shengli (Note)	1/1

Note: Mr. Hu Shengli has resigned as an executive Director, the president and a member of the Strategy Committee of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details.

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

For the year ended December 31, 2023, the remuneration of the Directors, Supervisors and the senior management of the Company falls within the following bands:

Bands (RMB)	Number of individuals
0-100,000	4
100,001-500,000	7
500,001-1,000,000	3
1,000,001-1,500,000	0
1,500,001-2,000,000	0
2,000,001-2,500,000	0
2,500,001-3,000,000	0
3,000,001-3,500,000	0
3,500,001-4,000,000	0
4,000,001-4,500,000	0

For details of remuneration of the Directors and five highest paid individuals for the year ended December 31, 2023, please refer to notes 8 and 9 to the consolidated financial statements contained in this annual report.

DIRECTORS' FINANCIAL REPORTING RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2023, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are submitted to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue the operation.

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report from page 182 to 183 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Overview

The Company completed the initial public offering of its H Shares on November 6, 2019 which were listed on the Main Board of the Hong Kong Stock Exchange. Through a series of strict standardized governance, the Company has constructed an internal control system in compliance with the listing regulatory requirements and relevant regulatory stipulations and implemented various risk management measures to effectively control and manage the risks in the Company's operating activities.

The internal rules and policies that the Company has formed to regulate and guide our operation include marketing management measures, factory accounting manual, intellectual property management measures, capital budgeting management measures, credit business management measures, recruitment management rules, information disclosure measures, management system of connected transactions, confidentiality system, document management measures, etc. In particular, for quality control, we have established supplier management measures, purchase and biding management procedures, rules for security risk valuation and management and other internal rules.

The Board acknowledges that it is the responsibility of the Board for maintaining adequate internal control system and risk management system and reviewing the effectiveness of such systems on an annual basis. Such internal control system and risk management system are designed to properly and effectively manage various risks confronted by the Company instead of totally eliminating risks involved in business operation and the Company can only exert due efforts and guarantee to this end.

Procedures and major characteristics of internal control and risk management

The Board assumes overall responsibilities for evaluating and determining the nature and extent of the risks that the Company is willing to bear in achieving its strategic goals, and establishing and maintaining an appropriate and effective risk management and internal control system.

The internal audit team is responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control system. The internal audit team inspects key issues related to accounting practices and all major internal control issues, and provides findings and improvement suggestions to the Audit Committee.

The Board reviewed the report prepared by the management and internal audit results with the support of the Audit Committee and the management. The Board reviews the effectiveness of the Company's risk management and internal control system at least once a year. The Board considered that the Company's risk management and internal control system during the Reporting Period were effective and adequate.

The Group's risk control centre plays an important role in monitoring the internal governance of the Company. The primary responsibilities of the risk control centre are to regulate and review the financial condition and internal control of the Company, and to conduct regular and comprehensive audit on all branches and subsidiaries of the Company.

Relevant departments of the Company are responsible for implementing risk management policies and routine risk management. In order to standardize the Group's risk management and to set transparency and risk management performance standards, relevant departments are responsible for (i) collecting risk data on their operations and work; (ii) conducting risk assessment, including identification, ranking, measurement and classification of all major risks that may potentially affect the achievement of the objectives; (iii) preparing risk management reports for the president's review; (iv) continuously monitoring major risks related to the Company's operations; (v) implementing appropriate measures in response to the risks when necessary; and (vi) formulating and implementing appropriate mechanisms to promote the application of our risk management framework.

At the subsidiary level, the Company and its major operating subsidiaries have established an array of agreement procedures for internal control and reported the actual investigation results on the physical monitoring and internal control of different procedures of the Group, including, among others, environmental control, risk assessment, internal supervision, information and communication, anti-fraud, reporting and disclosure, related party and connected transactions, taxation, sales and collection management, procurement and payment management, inventory management, fixed asset management, personnel and compensation management, capital management, contract management, research and development and intangible asset management, information system management and insurance.

RISKS IN OPERATION

1. Risks in relation to macro-economic fluctuation

The business and future growth prospect of the Company depend on China's overall economic condition, and any slowdown of future economic development may adversely affect the Company's performance. Meanwhile, under the joint influence of the transformation from investment-driven to consumption-driven mode in national economy, deleveraging, strengthening environmental protection control and eliminating redundant capacity of heavy industry, the domestic investment environment of fixed assets may cool down, and relevant control measures may have certain impact on the Company's operations. For example, the government's control over capital investment may reduce investment in affordable housing projects and public facilities construction projects; and the overall deleveraging efforts in the national economy may reduce the scale of real estate development and construction nationwide, the number of government affordable housing projects and urban construction projects, and may also affect the investment and construction progress of Joint Factories.

2. Risks in relation to the development and policies of construction industry

The business and future growth prospect of the Company depend on the development of China's construction industry. During the Reporting Period, the Company primarily derived its operating income from the prefabricated construction industry, which is expected to continue in the future. However, the prefabricated construction industry only accounts for a portion of the construction industry. Besides the overall growth rate of the construction industry, the growth of the prefabricated construction industry is also affected by structural changes in the industry, market preferences, consumption habits and other factors.

In addition, the Company is also subject to relevant policies of the construction industry. In 2016, the State Council and local governments issued certain opinions to enhance policy support for prefabricated buildings. It is expected that the proportion of prefabricated buildings in new buildings will reach 30% in about 10 years, but it will take a long time for relevant supporting policies to be fully implemented in various localities. Therefore, the Company may still face competition from traditional buildings in the future. If the prefabricated building industry fails to grow as expected, or there is any change in the relevant policies of the government to encourage the development of the prefabricated constriction industry, it may adversely affect the Company's business development, financial condition and operating performance.

3. Risks in relation to intensified market competition

The Company is confronting fierce competition from national large-scale construction companies and regional peers. National large-scale construction companies generally boast stable project supply or extensive technical resources, while regional peers generally enjoy the advantages of rich long-term customer resources and low transportation cost within the region. With the increase of competitors, the Company will face the risk of intensified market competition. In addition, if local policies and regulations do not explicitly require the construction of prefabricated buildings, customers may tend to adopt traditional construction methods, but the Company has no obvious competitive advantage in traditional construction business.

The Company generally obtains PC unit manufacturing business contracts through bidding, and there may be risks that the Company fails to be invited to participate in bidding or cannot win the bid after participating in bidding. Meanwhile, due to the entrance of other competitors in the market, the Company may not be able to obtain new projects on an on-going basis as a result of market competition, or the winning price of new projects will be further reduced, and the Company's operating performance, financial condition and business prospects will thus be affected to some extent.

4. Risks in relation to a decline in demand for PC equipment after an upsurge

Since 2016, with the strong support of national and local policies, the prefabricated construction industry has experienced explosive growth. In order to quickly occupy market at the early stage of industry development, national market players vigorously distributed production capacity, leading to a rapid increase in the market demand for PC equipment. During the Reporting Period, a majority of the Company's PC equipment was sold to the Joint Factories, and the growth of market demand for the Company's PC equipment is primarily attributable to the commercial production and expansion of the Joint Factories, namely, the successful implementation of the "Broad Homes United Program". However, as PC equipment is not consumables, with the gradual improvement of the strategic layout of the Company's Joint Factories across the country, save for the demand for production expansion and upgrading, the demand for new PC equipment by Joint Factories may decrease. Thus, there may be risks that the demand for PC equipment will decline after a skyrocketing upsurge.

5. Risks in relation to seasonal fluctuations in the industry

The Company's operating performance is subject to seasonal fluctuations. The market demand for PC units of the Company is affected by seasonal fluctuations. For example, due to the Spring Festival holiday and the cold weather, the Company usually records lower sales and revenue in the first quarter. Therefore, the quarterly results of the Company may not reflect the overall annual business and financial performance of the Company. In addition, severe weather factors such as snow, storm and rainstorm will affect the production activities of the construction industry, thus having an adverse impact on the sales and revenue of PC units of the Company.

MAJOR MEASURES OF INTERNAL CONTROL AND RISK MANAGEMENT

The Company has adopted a number of internal control policies, measures and procedures to reasonably ensure the achievement of certain objectives, including effective and efficient operation, reliable financial reporting and compliance with relevant laws and regulations. The following is a summary of internal control policies, measures and procedures that the Company has implemented or plans to implement:

- The Company has established a Risk Control Administration Centre to be responsible for the overall internal control, corporate governance and legal compliance of the Group.
- The Risk Control Administration Centre is responsible for promulgating and revising internal control policies, measures and procedures to ensure that the Company maintains sound and effective internal control and complies with applicable laws and regulations. It also oversees the implementation of internal control policies, measures and procedures and conducts regular compliance reviews of the business process at different stages.
- The Risk Control Administration Centre organizes monthly/annual internal control self-examination of each business department of the Company, and provides the internal control self-assessment report containing its risks and improvement suggestions to the heads of relevant business departments.
- The person-in-charge of each business department is responsible for implementing relevant internal control policies, measures and procedures and regularly checking the implementation of relevant policies, measures and procedures.
- The Company has implemented relevant internal control policies, measures and procedures at the product development or production stage in each business department, provided trainings for relevant employees on such policies, measures and procedures and solved their problems, submitted suggestions and proposed amendments to relevant policies, measures and procedures to the Risk Control Administration Centre, and conducted regular inspections on the implementation of relevant policies, measures and procedures.
- The Company has adopted a number of measures and procedures in various areas of our business operations (such as project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety). We provide employees with regular trainings on such measures and procedures.
- The Risk Control Administration Centre has established a complaint reporting mechanism for our Directors, senior management, employees, customers and other business partners, and has conducted independent and fair investigations on reported complaints for the purpose of appropriate follow-up. Leveraging such mechanism, our employees can report their complaints and problems. The Risk Control Administration Centre evaluates the effectiveness and potential vulnerabilities of the Company's internal control system based on the complaints received, so as to improve our internal control policies, measures and procedures accordingly.

The Company has formulated an information disclosure policy to provide comprehensive guidelines for the Directors, senior management and relevant employees of the Company in handling confidential data, supervising data disclosure and responding to inquiries.

The Company has implemented control procedures to ensure that unauthorized access to and use of inside information are strictly prohibited.

The Board has reviewed the effectiveness of the Group's internal audit system and risk management and internal control system through the Audit Committee, including the adequacy of the aforementioned system and the resources, employee qualifications and experience of the Company's accounting and financial reporting functions, as well as the adequacy of training courses and budgets for the aforementioned employees.

For the year ended December 31, 2023, upon review, the Board considered that the Group's risk management and internal control systems (including financial, operational and compliance controls) were effective and adequate. The review also covered financial reports and employee qualifications, experience and related resources.

The Company has established whistleblowing and anti-corruption policy and system to regulate conduct and ensure continuous compliance with anti-corruption policies and regulations, and encourages employees to report corruption, bribery, fraud and unethical conduct. The Company also incorporates promotion of its anti-corruption and whistleblowing policies into regular staff training.

AUDITOR'S REMUNERATION

The approximate remuneration of the auditor for the audit services (relating to annual audit and the reporting accountant's remuneration incurred for the suspended initial public offering of A Shares) and non-audit services (relating to preparation of the environmental, social and governance report) provided to the Company during the year ended December 31, 2023 is set out below:

Type of service	Amount (RMB)
Audit services	4,195,000
Non-audit services	150,000
Total	4,345,000

JOINT COMPANY SECRETARIES

Ms. Shi Donghong ("**Ms. Shi**") is the joint company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring that the policies and procedures of the Board, and the applicable laws, rules and regulations are followed.

As set out in the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in the Prospectus of the Company dated October 24, 2019 and the Company's announcements dated July 27, 2021 and December 17, 2021, the Stock Exchange has granted a waiver to the Company from strict compliance with Rules 3.28 and 8.17 of the Listing Rules in relation to the eligibility of Ms. Shi to act as a joint company secretary of the Company, on the conditions that, among other things, a joint company secretary who meets the requirements under Rules 3.28 of the Listing Rules shall assist Ms. Shi during the waiver period.

In order to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Ng Ka Man ("**Ms. Ng**") from TMF Hong Kong Limited as another joint company secretary of the Company to assist Ms. Shi to discharge her duties as company secretary of the Company. Ms. Leung's primary contact person in the Company is Mr. Huang Fengchun, the securities affair representative of the Company.

The Company has obtained confirmation from the Stock Exchange that Ms. Shi has been qualified to act as the company secretary of the Company under Rule 3.28 and Rule 8.17 of the Listing Rules without further waiver upon expiry of the waiver period (i.e. November 5, 2022). In addition, as the business and operations of the Group are principally located in the PRC, while Ms. Shi has been qualified as a company secretary under the Listing Rules, the Company will continue to retain the arrangement of joint company secretaries under which Ms. Ng, the current joint company secretary who is currently based in Hong Kong, will assist Ms. Shi in performing her duties. For details of the update on qualification of the joint company secretary, please refer to the Company's announcement dated November 9, 2022.

The Company confirmed that Ms. Shi and Ms. Ng had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules for the year ended December 31, 2023.

RELATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of its information, which will enable Shareholders and investors to make the informed investment decisions.

During the year, the Company also strengthened its communication with shareholders and investors through various means, such as online and offline shareholder and investor communication activities, results presentations, non-deal roadshows and participation in various investor forums to enable investors to have a more comprehensive understanding and analysis of the Group's business philosophy and operations.

The Company's annual general meeting provides an opportunity for direct communication between the Shareholders and the Directors. The chairman of the Board and the chairmen of the special committees under the Board will attend the annual general meeting to answer shareholders' questions. The auditors will also attend the annual general meeting and answer questions on the conduct of the audit, the preparation and content of the auditor's report, accounting policies and independence of the auditors.

In order to promote effective communication, the Company adopts the Shareholders communication policy with an aim to establish the mutual relationship and communication between the Company and the Shareholders, and maintains a website (www.bhome.com.cn). The Company's corporate website is available in three languages: English, traditional Chinese and simplified Chinese, with a column on investor relations which collects all regulatory announcements, reports and circulars published through the website of the Hong Kong Stock Exchange for convenient and centralized access by shareholders and investors, while other columns of the corporate website provide up-to-date information on various aspects of the Group's operations.

Through the above measures and procedures for communication with investors and Shareholders, the Company has examined and reviewed the effectiveness of the relevant policies and measures for communication with investors and Shareholders during the Reporting Period and considered that the above policies and measures are able to ensure effective communication between the Company and its investors and Shareholders.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings.

All resolutions put forward at general meetings will be voted by poll pursuant to the Hong Kong Listing Rules and poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange in a timely manner after each general meeting.

1. Convening extraordinary general meetings and Shareholders' class meetings

According to the Articles of Association, the Company shall convene an extraordinary general meeting within two months from the date when a Shareholder individually or Shareholders jointly holding at least 10 percent of the Company's Shares (the number of Shares held by the Shareholders shall be counted based on the date of the written request) request convening extraordinary general meetings in writing.

2. Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to the Board secretary office at the headquarters of the Company at ir@bhome.com.cn.

3. Procedures for submitting proposals at general meetings

A Shareholder alone or Shareholders together holding at least 3 percent of the Shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make an announcement of the contents of such extempore motion within two days after receipt of the motion.

DIVIDEND POLICY

For details of the dividend policy of the Company, please refer to the section headed “Dividend Policy” in the “Report of the Board” of this annual report.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On May 12, 2023, the 2022 annual general meeting of the Company was held to amend the Articles of Association based on the actual needs of the Company, and the amended Articles of Association were published on the website of the Hong Kong Stock Exchange and the Company’s website on the same day. On September 22, 2023, the Company held the 2023 first extraordinary general meeting, the 2023 first H Shareholders class meeting and the 2023 first domestic Shareholders class meeting to further amend the Articles of Association in view of the implementation of the new regulations in the PRC, the amendments to the Hong Kong Listing Rules and the actual needs of the Company, and the amended Articles of Association were published on the website of the Hong Kong Stock Exchange and the Company’s website on the same day.

Environmental, Social and Governance Report

ABOUT THIS REPORT

INTRODUCTION OF THE REPORT

This is the fifth Environmental, Social and Governance Report (the "**ESG Report**") published by Changsha Broad Homes Industrial Group Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which is intended to present the Group's environmental, social and governance management practices, initiatives and performance in 2023.

BASIS OF PREPARATION

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Hong Kong Listing Rules.

RELEASE CYCLE

This report is prepared annually and covers the period from January 1, 2023 to December 31, 2023. This is the fifth Environmental, Social and Governance Report (the "**ESG Report**") of the Group and the one for the next reporting period (2024) is expected to be released in 2025. Certain parts of this report apply retrospectively to prior years or extend to the date of disclosure of the report.

REPORTING SCOPE

The reporting entities are Changsha Broad Homes Industrial Group Co., Ltd. and its subsidiaries. Unless otherwise specified, the information in respect of their policies, statements and data cover all the businesses of the Group, which is the same as the scope of the annual report.

REPORTING PRINCIPLE

Materiality: we identified key ESG issues through materiality assessment, the process and results of which have been disclosed in this report.

Quantitative: In accordance with the "key performance indicators" of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange, the Group made quantitative disclosures of key performance indicators with historical data in the "environmental" and "social" categories and, where possible, quantitative disclosures of forward-looking information such as targets, and will make full disclosure in the future after the statistical process is gradually optimised.

Balance: This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's achievements and practices in the environment and social fields in 2023, and also the problems encountered and improvement measures with a sense of responsibility.

Consistency: We follow a consistent approach for disclosure statistics and maintain the same disclosure statistics for this report in respect of information previously disclosed in the report for last year.

Environmental, Social and Governance Report

SOURCE

The information in this report is derived from the internal documents and related statistics of Changsha Broad Homes Industrial Group Co., Ltd. and its subsidiaries.

AVAILABILITY

The Chinese and English version of this report is available on the website of the Stock Exchange (http://www.hkexnews.hk) and the official website of the Group. This report is prepared in both Chinese and English and in case of inconsistencies, the Chinese version shall prevail.

REPRESENTATIONS

For ease of presentation, "Changsha Broad Homes Industrial Group Co., Ltd." is hereinafter referred to as "Broad Homes", the "Group" or "we/us" in this report.

1. CHAIRMAN'S ADDRESS

Dear friends who care about Broad Homes,

Bidding farewell to the cold wind of last year, we leap towards a new development journey. In early 2023, the National Conference on Housing and Urban-Rural Development emphasized the goal of striving to provide the people with better housing. "Ensuring the people live in better houses" and "improving housing quality" were identified as key requirements for high-quality housing construction. The housing sector is an important area related to the people's pursuit of a better life. "Living in good housing" has become a new aspiration for the people, which aligns perfectly with the goal of Broad Home's commitment to creating high-quality living spaces for the people. We have always strived to resonate with the times and national strategies, using new technologies, new formats, and new models to improve the level of modern construction and provide comprehensive services for the high-quality development of urban and rural areas.

Looking back at 2023, Broad Home continued to cultivate a green foundation for high-quality development, closely following the trends of the era. We persisted in the belief of "building houses like manufacturing cars" and steadfastly engaged in innovative practices in intelligent construction. We established diverse technological systems such as fully prefabricated construction and modular construction. By employing more scientific, low-carbon, and efficient construction methods, we entered different scenarios in urban and rural construction, achieving significant leaps in our own development.

We adhere to the pursuit of quality enhancement. Broad Home, as the pioneer and leader in China's construction industrialization, is the first and only pilot demonstration enterprise for intelligent manufacturing of prefabricated buildings in China. We are also the industry's first enterprise that has a complete industrial chain technological system with exclusive intellectual property rights. We actively enhance the brand strength, product capabilities and service capabilities, providing customers with scalable, specialized, and intelligent manufacturing and services for prefabricated buildings. For six consecutive years, we have been honored as the top 1 preferred brand in prefabricated structure (PC structure) category of "China's Real Estate Industry Chain Strategic Integrity Suppliers".

We promote digital and intelligent construction. Broad Home leverages systematic digital construction capabilities to facilitate the high-quality development of the construction industry. By adopting a CPS intelligent manufacturing management system driven by digital twin technology, we deeply integrate digital technology with industrial construction manufacturing, gradually transitioning from "intelligent manufacturing" to "intelligent construction." We actively promote the transformation of research achievements in the field of digital construction, turning buildings into true products and introducing digital construction management models into business scenarios. This enables us to deliver results that are good, fast, affordable, and worry-free, while achieving the core values of construction industrialization: improving quality, enhancing efficiency, reducing overall costs, and protecting the environment. We continue to deepen our digital application capabilities, gradually explore organizational and business model innovations, and strive for continuous independent innovation. Through "digital housing construction", we empower the industry's high-quality development, contribute to the advancement of urban high-quality development, and truly achieve the goal of "making cities smarter and lives better".

Environmental, Social and Governance Report

We are courageous in industrial innovation. Broad Home takes the lead in the industry's transformation and development by innovatively developing fully prefabricated construction and modular construction. We actively participate in industry collaboration and serve as a pioneer in digital construction of building products, thereby assisting in the transition from "having a place to live" to "enjoying high-quality housing" and meeting people's high aspirations for efficiency and benefits. Our revolutionary modular space products, known for their "large-scale, fast, high-quality and cost-effective" features, are widely applied in various construction fields such as cultural tourism, office spaces, and urban renewal, leveraging their advantages of modern minimalistic, green and safe features and spatial flexibility. The flexible combination of these modular spaces caters to diverse construction needs. We focus on key areas such as campus and industrial park construction, urban renewal, and rural revitalization, strive to address social and livelihood issues, including the construction of affordable rental housing and the promotion of green and safe rural housing, thereby responding to societal concerns through practical actions. We promote a space revolution through technological prowess, enhance the residential experience through product capabilities, and create value through cost efficiency. We are steadfast in driving industrial innovation, contributing more wisdom and strength to the high-quality development of urban and rural construction.

We engage in cooperative exchanges. Broad Home actively engages in exchanges with peers in the industry to promote efficient and interactive communication, expand influence, and jointly plan for the future development of the industry. At the "10th General Forum on Beautiful China and High-Quality Development of Housing and Urban-Rural Construction," we exchanged and shared the latest innovative achievements in the industry, summarized practical experiences, explored development trends, and was selected as a "Leading Enterprise in the Prefabricated Construction Industry". We welcomed the visit and study tour of China Europe International Business School to discuss the "Practices of Transformation of Digital Strategy and Organizational Capability". We actively cooperate with China Communications Construction Group in areas such as digital and intelligent construction, product research and development, result transformation and market expansion, to empower the industry with digital and intelligent capabilities and promote the digital upgrade of the entire industry chain in the field of prefabricated construction.

We promote green development. Broad Home adheres to green, low-carbon, and lean manufacturing principles, and constantly expands the application of green and low-carbon building technologies. We have developed a diverse product portfolio covering prefabricated integral buildings, fully prefabricated buildings and modular buildings and formed replicable and scalable practical cases nationwide. We have integrated ESG concepts into our strategic development plans and joined the World Business Council for Sustainable Development and the China Real Estate Green Supply Chain Organization. In 2023, we participated in the International Green Zero-Carbon Festival and ESG Leaders Summit, demonstrating our commitment to intelligent construction and leading the industry's innovation in low-carbon development. We were honored as the "2023 Carbon Neutrality Exemplary Enterprise" at the event.

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We uphold the idea of moving forward step by step with courage and determination. As such, throughout our long-term efforts to promote high-quality urban and rural development, we have always adhered to the principles of “pursuing quality improvement, advancing digital and intelligent construction, daring to innovate in the industry, engaging in cooperative exchanges, and promoting green development”. In the future, as a pioneer and leader in China’s construction industrialization, Broad Home will diligently perform its responsibilities and missions. Building upon the experiences gained from nearly three decades of exploration, we will firmly grasp the foundation of providing people with livable homes, focus on improving people’s livelihoods, and cater to the growing domestic demand. By continuously leveraging our strengths in production capacity and technological expertise, we will focus on researching and developing eco-friendly and sustainable construction technologies, put efforts in driving innovation in new technologies, processes, and models, and strive to create premium living spaces that cater to the needs and aspirations of the people.

Zhangjian
Chairman

March 2024

2. BOARD STATEMENT

In its pursuit of development, Broad Home recognizes the importance of environmental, social and governance (ESG) and is committed to incorporating ESG concepts into the Group's operations and management. The Board of Directors of Broad Home is fully responsible for the Group's ESG strategy formulation, reporting and risk management, assessing and determining the Group's risks related to environmental, social and governance, and ensuring that Broad Homes has appropriate and effective environmental, social and governance risk management and internal control systems in place.

Broad Home's business development opportunities are derived from the society's demand for green, low-carbon and sustainable buildings. As such, we pay extra attention to the sustainable development of the Company, focus on potential significant impacts of ESG-related risks and opportunities on the Group, and have established and continuously improved the ESG governance and management mechanism. As the highest responsible and decision-making body for ESG matters, the Board leads and participates in the deliberation and decision-making of major ESG matters, including identifying and assessing ESG risks through analysis of external and internal environment of the Group, formulating ESG strategies and guidelines, establishing management policies and plans, approving and reviewing ESG target management, and approving each annual ESG report and other management matters to facilitate the achievement of the Group's ESG objectives.

To identify the focus and direction of relevant tasks, based on the external environment and the Group's development strategy, the Group conducts regular research on internal and external stakeholders and identifies key ESG issues to specify the focus of its work, including: employee rights and interests, safety and health, green building opportunities, product quality and safety, and innovation management, etc. In our daily work, we focus on reviewing these issues, formulate work plans based on ESG objectives, integrate ESG strategies into the Group's daily operations, and actively improve our ESG performance. In the future, we will continue to adjust our sustainability management strategies and promotion methods in line with stakeholders' expectations and the Group's actual operating situation, thereby continuously improving the Group's ESG governance capability and promoting the sustainable development of the Group.

This report discloses in detail the progress and effectiveness of Broad Homes's ESG work in 2023. The Board of the Group, as the ultimate body responsible for and making decisions on ESG matters, ensures that the contents of this report do not contain any false information, misleading statements or material omissions, and accepts full responsibility for the truthfulness, accuracy and completeness of its contents.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

ESG Strategy of the Group

The Group has been adhering to the original aspiration of green and low-carbon development. Under the leadership of the founder and chairman Mr. Zhang Jian, the Group is committed to promoting the modernisation of construction industry in the PRC, guiding the transformation of production methods in the industry, and reducing the large amount of waste water, waste residue and mold use generated by the traditional construction industry. We consistently keep corporate social responsibility in mind and infiltrate the concept of sustainable development into every aspect of corporate governance and operations with commitment to the common achievement of economic, social and environmental benefits, and adhere to:

- People-oriented approach
- Quality enhancement
- Innovation-driven development
- Sustainable development

ESG Governance Structure of the Group

The Group has established a top-down ESG governance structure, which serves as the foundation and important guarantee for the sustainable development of ESG governance within the Group. This structure clarifies the work mechanisms of various functional departments, effectively promoting their participation in ESG initiatives. It also drives the compliant, standardized and digital operation of the ESG governance system, thereby enhancing the ESG management capabilities.

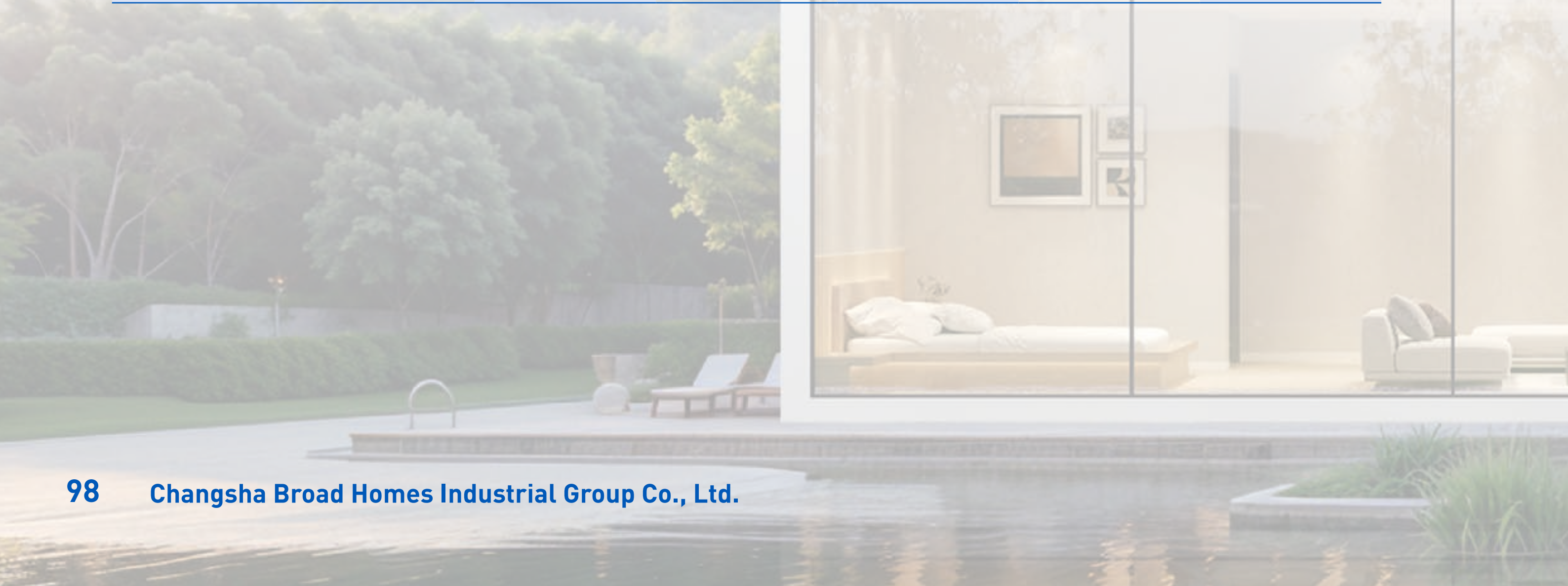
The Board is responsible for overseeing the potential impact of ESG matters on the Group and the associated risks. In particular, In particular, the Strategy Committee is the main committee responsible for conducting research on sustainable development strategies, monitoring the formulation and implementation of annual ESG plans and policies of the Group, identifying, assessing and managing key ESG issues and risks and opportunities related to green, safe and sustainable development, approving and reviewing ESG management objectives, and approving the publication of reports, in order to support the Board in performing its ESG governance functions.

We have also established an ESG working team, which is led by senior management and involves the participation of intermediate level managers. The working team is responsible for environmental, social, and governance matters. The team members are representatives from key departments such as the Board office, human resources institute, administrative center, design and technology department, operational management department, brand strategy department, product department, marketing and service department, and human resources and finance department, covering various aspects of daily management of the Group. The working team regularly summarizes and reports on the operation of the ESG system and the progress of specific milestones to the Board, seek input and suggestions, and is responsible for communicating, coordinating, and implementing the Group's environmental and social governance strategies, specific initiatives, and feedback. It also ensure timely integration of the latest regulatory requirements into the daily management of ESG practices, thereby providing the necessary execution capabilities for sustainable development of the Group. In addition, representatives from each factory within the Group have been assigned to promote ESG culture and provide information updates.

Stakeholder Engagement

Broad Homes values the opinions of various stakeholders and uses various communication channels to understand and respond to the ESG issues that are of major concern to them. The Group's ESG stakeholders mainly include the employees, suppliers, customers, shareholders, investors, government, and the communities where the Group operates. The Group believes that listening to and understanding the opinions of stakeholders will provide a solid foundation for the long-term development of the Group. In this regard, the Group actively explores various channels to maintain open, transparent and regular communication with stakeholders, to continuously understand their ever-changing expectations, enhance their understanding of the development and operational policies, and to provide more opportunities for them to put forward suggestions so that the Group can provide them with timely and effective feedback regarding their concerns, thereby ensuring their in-depth involvement and fostering a cooperative relationship for mutual development.

Stakeholders	Government	Shareholders	Employees	Customers	Suppliers	Community
Target & Focus	• Respond to state policies • Operate according to laws and regulations • Pay taxes in accordance with applicable tax laws • Promote employment	• Business strategy & financial performance • Protect shareholder's legal rights • Business sustainability • Corporate transparency	• Payment and welfare • Guarantee of rights and interests • Career development • Safety and health • Corporate culture	• Product quality • Privacy protection • Customised services • Prefabrication consulting services	• Abide by commercial ethics and state laws and rules • Be transparent and fair • Fulfill commitments, achieve mutual benefits and enable win-win cooperation	• Encourage community engagement • Participate in public welfare activities • Promote the community's development
Method of communication and exchange	• Participate in discussion for formulation of relevant policies and industry standards • Contribute corporate experience • Guide and influence public policies actively • Engage in dialogue with the local government	• Enhance information disclosures • Board meeting, shareholders' meeting and investors' meeting • Direct communication among shareholders	• Employee representative in the supervisory committee • Labor union • Employee representative conference • Employee survey and provision of timely feedback • Enhance information disclosure	• Communicate during the service offering process • Customer survey and feedback • Complaint hotline • Enhance information disclosures	• Announce the supplier management rules • Contract negotiation • Daily business exchange • Enhance information disclosures	• Exchange ideas with local government and organisation • Actively participate in public welfare activities • Enhance information disclosure



Environmental, Social and Governance Report

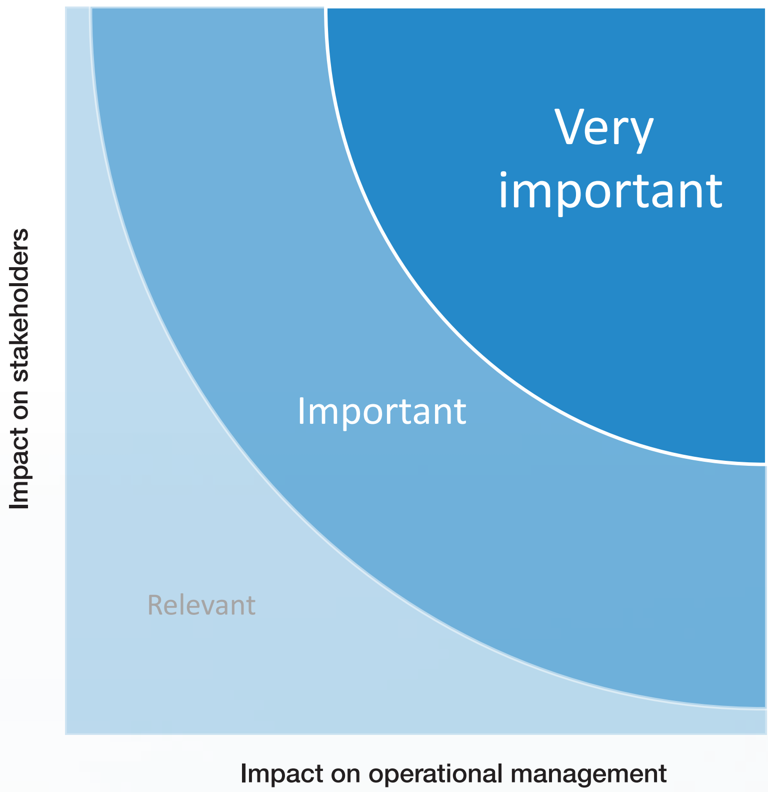
Stakeholders	Government	Shareholders	Employees	Customers	Suppliers	Community
Key actions	• Implement state policies, abide by state laws and regulations • Accept supervision and check-ups • Create more posts to boost the employment rate • Participate in affordable housing construction projects • Declare taxes in a timely manner	• Convene shareholder meetings regularly • Convene meetings of the board of directors regularly • Convene meetings with investors • Disclose statutory issues in a timely manner	• Enhance training for employees in respect of culture and technical skills • Improve employees living and working environment • Guarantee employees' rights and benefits, upgrade their welfare level • Health and safety guarantees for employees • Establish a labor union	• Standardise production • Improve return and exchange and quality control system • Conduct regular customer satisfaction surveys • Respond to customer complaints and provide them with feedback in a timely manner • Earnestly protect customer privacy	• Set up an open and transparent bid invitation system • Set up a communication platform for suppliers • Perfect the supplier selection system • Offer equal opportunities to suppliers	• Encourage good deeds • Be passionate about public welfare, and contribute to society • Conduct blood donation and volunteer activities for employees
Key performance indicators	• Affordable housing construction • Number of persons employed	• Stock value, dividend returns • Stock market value	• Employee training • Remuneration and welfare system	• Customer satisfaction • Product pass rate • Customer privacy solutions	• Contract performance rate • Assessment of suppliers	• Examples of good deeds • Investments in social welfare causes • Employee volunteer activities

Materiality Assessment

We attach importance to the identification and management of ESG issues. We update the issue pool based on a comprehensive consideration of national macro policy directions, capital market concerns, and benchmarking analysis of relevant standards for sustainability reports, and taking into account the sustainability challenges faced by the Group. We collect stakeholders' views and feedback through activities such as interviews and research in order to identify important ESG issues and make targeted disclosures in our reports so as to effectively improve the Company's sustainability management and strengthen the communication and cooperation with stakeholders. We invited internal stakeholders, including members of management and staff from all departments, to rate the ESG issues in our issue database by means of questionnaires, identify material ESG issues and conduct materiality assessment, thereby forming the materiality matrix for this report to provide more clear and detailed guidance for sustainable development of the Company. The matrix presents the materiality of the issues in three tiers: very important, important and relevant.

Procedures for Assessment of Material ESG Issues of Broad Homes
01 ESG issues identification and determination
• Communicate with stakeholders through multiple channels to define the scope of issues and identify key issues, taking into account the feedback obtained, the hot topics of sustainable development in the industry and the actual situation of the Group's operations; • Identify the focus, objectives and potential risks related to sustainable development of the industry where we operate and form a list of issues after screening with reference to relevant assessment factors such as ESG ratings in the capital markets and taking into account relevant policies and standards for sustainable development disclosure in China and overseas.
02 Stakeholder communication and research
• Prepare an online questionnaire to assess the materiality of ESG issues with the list of issues as the key content of stakeholder research, invite internal stakeholders to rate the materiality of relevant ESG issues, and collate and analyse the final results of the survey and the internal stakeholders' satisfaction with the Group's sustainable development.
03 Material issues assessment
• Assess the materiality of each ESG issue based on the results of the stakeholder questionnaire and the Company's development status in two aspects of "importance to stakeholders" and "importance to operational management", and rank the materiality of ESG issues based on their respective scores and form a matrix after the relevant results have been reviewed by external experts.

Materiality Matrix of Material Issues for Stakeholders of Broad Homes



Very important			
Corporate governance	ESG governance	Risk and crisis management	Policy impact
Green building opportunities	Diversity and equal opportunities	Employees' rights and benefits	Occupational health and safety
Development and training	Workforce management	Product safety and quality	Customer relationship management
Innovation management	Business ethics	Information and internet security	
Important			
Energy consumption	Water resource management	Operational eco-efficiency	Climate change
Clean technology opportunities	Supply chain management	Corporate citizenship and charity	
Relevant			
Greenhouse gas emissions	Hazardous waste discharge	Non-hazardous waste discharge	Wastewater discharge
Impact on the environment and natural resources			

4. ENVIRONMENTAL PROTECTION

Since its establishment, environmental protection has been considered as one of the cores of the Group's development strategy. The Group strives to promote the development of industrial buildings. Through the innovation of production methods and construction craft, it realises a green industrial building system featuring low-energy, low-pollution and low-waste that is different from traditional construction modes. Although it is not a highly polluting industry in which the Group operates and our production craft and process do not involve heavy pollution, we continue to emphasize the importance of environmental protection in our daily operations and development, actively implement the green and low-carbon development strategy, and effectively reduce the negative impact on the environment during production and construction to continuously improve the benefits from environmental protection of the Group.

The Group strictly abides by laws and regulations that have material impacts on the development of the Group, such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. With green development as the mission and local companies as the management unit, the general manager of the local company is responsible for organizing, formulating and implementing a number of internal management systems on environmental compliance and pollution control, such as the Regulations on Energy Saving and Consumption Reduction, Hazardous Waste Management System, Waste Management Measures and Regulations on Control of Waste Water, Waste Gas and Noise. The detailed rules specify the process of treatment, reuse and discharge of production wastewater and waste, and the responsible person of the local company then reports directly to the Chairman of the Company and the management of the Group to ensure that the goal of 100% up-to-standard discharge of production pollutants and 100% pollution-free disposal of solid waste is achieved. Starting from the details of the use of electrical appliances, water conservation, paperless office and official cars management, we have made specific regulations on daily actions of our employees to effectively reduce the use of water, electricity, paper and gasoline, and reduce energy consumption; and also strengthen the awareness of energy conservation and consumption reduction for all employees, which helps to guide all employees to form good habits of conservation and environmental protection, thus laying a solid foundation for the sustainable development of the Company.

As at the end of the reporting year, nine plants of the Group located in Hangzhou, Hefei, Liyang in Jiangsu, Lugu in Hunan, Shanghai, Tianjin, Changshu, Huizhou and Wuhan obtained the ISO14001:2015 certification for environmental management systems, which affirms our daily work and achievements in environmental management, and also represents an incentive to continuously optimise and develop our environmental management system to achieve higher standards and goals.

4.1 Emissions

Low carbon, environmental protection, energy saving and emission reduction

In the construction process, wood, as a traditional sample material, is consumed in a significant amount. The wooden samples are light in weight and convenient to disassemble and install with good construction performance. Its application has played a positive role in improving the quality of building structural engineering. However, in the traditional operation methods, building contractors generally use on-site moulding. The turnover rate of wooden samples is generally low, and the wood consumption is huge. Generally, a set of wood sample can only be reused 3 to 5 times in the construction process. Huge wood consumption puts tremendous pressure on the environment. The Group applies a new construction production method. The completion of the production of prefabricated PC units in the factory enables the use of samples to be concentrated at the factory stage, which greatly promotes the reuse of wooden samples in loops and lessens wood consumption by 75% as compared to traditional methods, making strong contributions to reducing carbon emissions and the greenhouse effect.

Greenhouse gas emissions of the Group are set out below:

Indicator	Unit	2023		2022	
		PC segment	Mofang segment	PC segment	Mofang segment
Scope 1 of greenhouse gas emissions[1]	tons of CO_2 equivalent	**1,244.31**	**11.56**	1,426.87	20.80
Scope 2 of greenhouse gas emissions[2]	tons of CO_2 equivalent	**9,132.92**	**404.34**	11,604.01	908.53
Total greenhouse gas emissions	tons of CO_2 equivalent	**10,377.23**	**415.90**	12,885.92	929.33
Density of greenhouse gas emissions		**123.14 tons of CO_2 equivalent/ 10,000 cubic metres of output**	**0.98 tons of CO_2 equivalent/ Mofang product**	152.50 tons of CO_2 equivalent/ 10,000 cubic metres of output	0.87 tons of CO_2 equivalent/ Mofang product

Explanation:

1. The increase in the density of greenhouse gas emissions in the Tesseract sector in 2023 is mainly due to an increase in electricity consumption (see 4.2 Use of Resources for reasons).

1 Scope 1 greenhouse gas emissions were calculated based on Appendix 4 of China Energy Statistical Yearbook 2020; GHG Protocol; and Energy Statistics Workbook (Department of Energy, National Bureau of Statistics, 2010).

2 Scope 2 greenhouse gas emissions were calculated based on the national grid emission factors specified in the Notice on Relevant Work for Managing Greenhouse Gas Emission Reports for Selected Key Industries and Enterprises in 2023-2025 published by the Ministry of Ecology and Environment of the People's Republic of China.

Monitoring wastewater for standard discharge

The Group's wastewater discharge mainly comes from washing ground wastewater, motor vehicle washing wastewater, other production wastewater and domestic sewage. For wastewater discharge, under the guidance of the Group, local companies have formulated strict prevention and monitoring systems based on the premise that production wastewater/domestic sewage is separated from surface runoff, mainly including:

- Production wastewater must be recycled. Fixed triple-deck sedimentation tanks and triple-deck cleaning tanks are set up in the main sewage source area of the PC factory workshop. The sewage from cleaning the equipment is reused as cleaning water after passing through the triple-deck sedimentation to reduce waste water discharge;

- Instead of being poured into sewage pipes or drainage ditches or sedimentation tanks, chemical waste liquids (paints, etc.) and oil during the production process can be collected in containers and temporarily stored in warehouses and shall be processed by the Administration Department after reaching a certain amount;

- Oil and chemicals that have dropped on the ground should be wiped clean with a rag and are forbidden to wash into the sewer with water;

- It is forbidden to pour the residual oil and leftovers from the canteen into sewage pipes and sedimentation tanks; it is forbidden to use phosphorus-containing detergents to wash dishes;

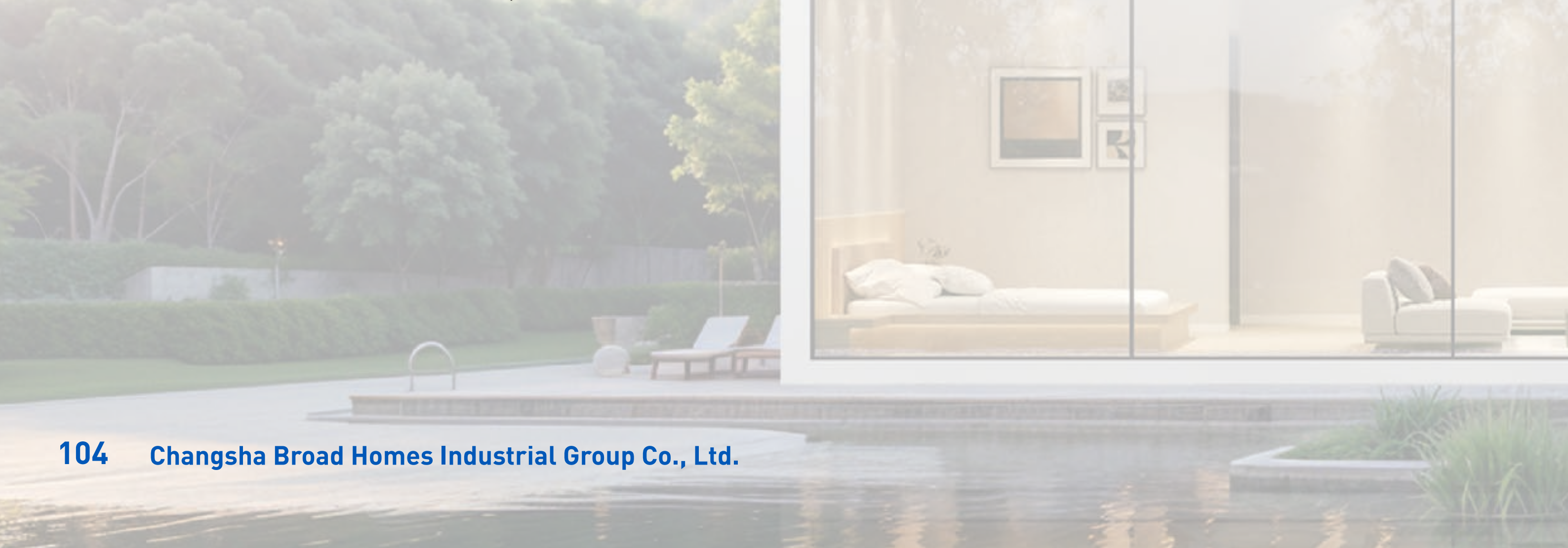
- Oil drains or filters should be set up in the sewage outlet of the canteen and cleaned up in time. The filtered domestic garbage is implemented according to the Waste Management Procedures;

- The drainage pipes of the canteens, washrooms and shower cubicles should be equipped with a filter screen and connected to the municipal sewage pipelines to ensure smooth drainage;

- The septic tank of the toilet should be conducted anti-permeability treatment;

- Special rainwater pipelines should be set up, and it is forbidden to discharge sewage into rainwater pipelines;

- Production and domestic garbage are not allowed to be stacked in the open air to ensure that rainwater is not polluted.



To ensure that the wastewater control system is fully implemented, the Group also requires local companies to implement a wastewater monitoring system, including:

- Each local company should set up several wastewater discharge outlets in its office building and workshop and mark them;
- The Manufacturing Department should entrust an environmental monitoring station to monitor the wastewater discharge of the Company once a year in accordance with the Integrated Wastewater Discharge Standard. For those failing to meet the standards, we shall analyze the reasons and take measures to make improvement;
- Wastewater discharge shall comply with the Class II standard of the Integrated Wastewater Discharge Standard and the Wastewater Quality Standards for Discharge to Sewers.

Thanks to the joint efforts of the Group and its subsidiaries, there was no failure to meet the wastewater discharge monitoring standards, and the goal of 100% up-to-standard discharge of production and domestic wastewater was achieved during the reporting year. Production wastewater discharges are as follows:

Indicator	Unit	2023 PC segment	2023 Mofang segment	2022 PC segment	2022 Mofang segment
Wastewater discharge	Cubic meters	**57,392**	**–**	74,860.96	–
Wastewater discharge density	Cubic meters/1 cubic meter of output	**0.07**	**N/A**	0.09	N/A

Waste management

In order to further standardise and comply with the management of waste discharge, we have implemented classified waste management, including hazardous waste, general waste and recyclable waste. Among them, hazardous waste refers to the solid, semi-solid, liquid and gaseous wastes that are identified as to some extent having toxicity, decay, flammability, explosiveness, chemical reactivity or pollution to the environment according to the uniform regulations of the state, such as waste chemical reagent thinner, paints, waste paint buckets, asphalt residues, etc. After collecting, sorting, labeling and registering such waste, local companies will hand over them to professionally qualified agency for treatment. We strictly prohibit the hazardous waste from being mixed into the non-hazardous waste for storage, and have set up the Emergency Preparedness and Response Control Procedures to respond to emergencies during the storage of hazardous waste. General waste refers to solid, semi-solid (muddy) waste that is not classified as hazardous waste generated in the production process, daily life, business activities and other activities, such as domestic waste, construction waste. For this sort of waste, since there is no possibility to cause pollution and recycle, local companies will request garbage classification according to the requirements of local governments, and the separated domestic garbage will be transported by the cleaning company or the sanitation department to the municipal waste disposal stations for uniform processing. The concrete slag is transported and processed by a professionally qualified cleaning company. The recyclable waste refers to waste with recycling value generated in the production process and daily life. The recycling of such waste is part of our practice of green development. Each local company clarifies the types of waste that can be recycled in its production and office activities, and guides employees to carry out classified distribution by setting up classification collection boxes and system specifications. The supplier's recycling and internal waste utilisation are considered in turn. The remaining recyclable waste will be recovered by the recycling department in a unified way, so as to maximise the turnover rate and recycling rate of internal materials of the Group.

The main hazardous waste of the Group is waste paint buckets, which are recycled and disposed of by the suppliers or companies with corresponding qualifications such as hazardous waste disposal permits. Non-hazardous waste mainly includes waste concrete generated from the production of PC units, waste core plates and domestic waste generated from the daily work of staff, of which, waste core plates have recycling value and are recycled by the core plate suppliers, waste concrete is handed over to qualified third parties for disposal and domestic waste is transported by third parties to government designated locations for disposal.

In 2023, the plants in Changsha and Lu'an engaged third-party entities to recycle 561.76 tons of waste concrete and 22.04 tons of waste core plates generated from the plants, which were not directly discharged to the environment. The work was organised by the heads of Changsha and Lu'an plants, and a number of internal management rules on environmental protection compliance and pollution control were formulated and implemented, such as "Regulations on Energy Saving and Consumption Reduction" and "Regulations on Waste Management", to specify the process of treatment, reuse and discharge of production wastewater and waste materials through detailed rules to ensure the goal of 20% reduction in annual waste discharge in 2024. In particular, the discharge of non-hazardous waste from the Mofang segment has been reduced by 65%, achieving the goal of 20% reduction in waste discharge in 2023. Major wastes generated are as follows:

		2023		2022	
Indicator	**Unit**	**PC segment**	**Mofang segment**	**PC segment**	**Mofang segment**
Waste concrete	Tonne	**69,006.79**	**561.76**	55,094.48	1,698.58
Waste core plate	Tonne	**N/A**	**22.04**	N/A	32.50
Domestic waste	Tonne	**409.05**	**34.93**	272.46	29.90

Improving our resource efficiency is beneficial to our efforts to reduce costs and increase efficiency, and handing over recyclable materials to our suppliers for recycling is also beneficial to our cooperation with them, so the Group is committed to achieving the above. As we progressively improve our waste management system, we will set quantitative waste reduction targets in the future.

4.2 Use of Resources

Energy saving, consumption reduction, cost cutting and efficiency boosting

The major energy used in the production and office processes of the Group is electricity. Electrical energy saving is an important way for us to respond to the basic national policy of energy conservation and emission reduction. Details are set out below:

First, formulate rules and regulations. In the Regulations on Energy Saving and Consumption Reduction, we made specific regulations on air conditioning temperature in winter and summer and turning off lights while leaving office. We also stipulated clear provisions in the Employee Handbook to strictly check and punish those failing to turn off the lamps, fans, air conditioners, computers and other electrical appliances and equipment in the office or factory workshop when off duty.

Second, the major equipment used in the production process, such as transverse moving car, curing kiln, material distributor, hopper and other motors, are controlled by frequency converter to reduce energy consumption, thus improving production efficiency and energy utilisation rate through continuous technical improvement and breakthroughs. We also strengthen the maintenance of electrical equipment, conduct timely inspections, strengthen power line maintenance, and eliminate heat and electrical leakage caused by poor wire joints, thereby reducing electricity consumption.

Third, to strengthen training and education, the Administration Department of the Group regularly organises trainings on energy conservation and consumption reduction to continuously strengthen employees' awareness of resources, energy and materials conservation. The Finance Department of the Group is responsible for collecting the production power consumption and other power consumption of each factory, and cooperating with the Production Department and the Administration Department to analyze the causes of power consumption fluctuation. During the Reporting Period, the Group consumed 16,723,200 kWh of electricity (2022: 19,323,000 kWh).

		2023		2022	
Indicator	**Unit**	**PC segment**	**Mofang segment**	**PC segment**	**Mofang segment**
Total power consumption	10,000 kWh	**1,601. 42**	**70.90**	1,780.91	151.39
Power consumption density		**190,000 kWh/10,000 cubic metres of output**	**1,600 kWh/ Mofang product**	210,800 kWh/10,000 cubic metres of output	1,400 kWh/Mofang product

Explanation:

1. The increase in unit power consumption in the Mofang segment in 2023 was mainly due to the fact that in order to meet the high-quality production requirements, the factories introduced new advanced intelligent automatic machinery equipment with relatively high energy consumption, which, especially during the peak period of power consumption, drove the overall increase in the power consumption load due to the continuous and efficient operation of the intelligent equipment.

The Group is not responsible for the transportation during the sales process, but certain office vehicles consume gasoline, and forklifts used in production consume diesel. During the Reporting Period, 316,400 litres (2022: 332,300 litres) of diesel were consumed and 68,600 litres (2022: 66,100 litres) of gasoline were consumed by office vehicles. In addition, due to working processes, Broad Homes (Tianjin) Co., Ltd. also consumes natural gas. During the Reporting Period, a total of 143,800 cubic metres of natural gas were consumed (2022: 180,000 cubic metres).

Reducing energy consumption per unit of production is a response to the national goal of "carbon peaking" and "carbon neutrality" and will also contribute to our efforts to reduce costs and increase efficiency. As we further refine our energy management, we will set quantitative energy efficiency targets in the future, and strive to achieve such targets by (i) continuously strengthening accurate forecasting and scientific scheduling to improve utilisation of production lines; and (ii) prioritizing energy-saving equipment when purchasing equipment for new plants and upgrading equipment for existing plants.

In order to further motivate energy saving and emission reduction, in 2023, the Company required each direct factory to conduct a horizontal and vertical comparison of energy consumption data since 2020, reviewed energy consumption data every quarter, established a reward and punishment mechanism, ranked each factory by water and electricity consumption, and encouraged factories with lower rankings to learn from factories with higher rankings.

Conserving water through process innovation

Water used by the Group in production and other activities comes from fresh water provided by the Urban Water Supply Bureau, and the Group did not encounter any problem in obtaining water sources.

The improvement of water use efficiency is mainly attributable to the application of the dry implementation process in the rough surface moulding process of prefabricated units and recycled water.

Currently, there are three main moulding processes for the rough surface of prefabricated units: retarder plus garment wash process, machined pattern and one-off moulding of PE film. Their characteristics and principal effects are as follows:

Name of process	Materials used	Working principle	Environmental effect
Retarder plus garment wash process	Retarder	Apply retarder on freshly poured concrete surface or the mould surface and then rinse the surface of the unit with water to achieve a rough surface after the concrete is solidified	As the retarder is a chemical agent, the wastewater after flushing can be discharged after special treatment; tremendous waste of water resources is caused during the flushing process
Machined pattern	Sand blasting machine, bush hammer, etc.	Treat the surface of the unit with mechanical equipment, and chip the concrete on the surface of the unit to expose the aggregate to achieve a rough surface	A large amount of dust will be generated, which will pollute the factory environment and affect the health of operators
One-off moulding of PE film	Polyethylene mould	Polyethylene plastic is used to make concave-convex mould, which are fixed on the side wall of precast units mould to achieve a rough surface after demoulding	It will cause no adverse effects on the factory environment and the external environment, and there is possibility to recycle polyethylene mould, which has certain positive environmental benefits

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Since the adoption of the one-off moulding of rough surface (picture 1) and the shear key replacement for rough surface process (picture 2) in 2021, we have significantly reduced water consumption in the processing of rough surface of prefabricated units.

Picture 1: one-off moulding of rough surface

Picture 2: Shear key replacement for rough surface process

During the Reporting Period, all the directly operated factories of the Group strictly abided by the environmental protection requirements, and did not adopt washing, pickling or other process that will cause waste of water and emission of pollutants in the process of making the rough surface of PC units, and all alternative processes can meet the requirements on environmental protection and product quality, which saved significant amount of water resources compared with other processes.

The cleaning water for concrete mixing station can be pumped to production lines for reuse after sand and stone separation and three-stage sedimentation tank treatment. For the cleaning water of hopper, we have set up a fixed automatic cleaning area with both a filter screen and a three-stage sedimentation tank underneath the area. The water passes through the screen to filter out concrete residue and falls into the sedimentation tank, and is mixed with the cleaning water for concrete mixing station after the three-stage sedimentation and then reused for mixing station, cleaning of mixing station and hopper. Except for the Liyang plant which was established in the early days, 13 plants in Lugu, Xiangtan, Tianjin, Hangzhou, Shanghai, Hefei, Lu'an, Wuhan, Yueyang, Chenzhou and Huizhou, were designed under this concept.

The Finance Department of the Group is responsible for collecting the water consumption data of each factory, and cooperating with the Production Department and the Administration Department to analyze the causes of water consumption fluctuation. Water consumed by the Group was as follows:

		2023		2022	
Indicator	**Unit**	**PC segment**	**Mofang segment**	**PC segment**	**Mofang segment**
Total water consumption	Cubic metre	**419,523**	**17,210**	431,428	52,506
Water consumption density		**0.5 cubic metre/ cubic metre of output**	**40.69 cubic metre/ Mofang product**	0.51 cubic metre/ cubic metre of output	48.89 cubic metre/ Mofang product

We strive to continuously reduce water consumption per unit of production and increase our overall recycling rate, and as water management continues to improve, we will set quantitative water efficiency targets in the future, which will be achieved through the following measures: in terms of production water consumption, the Group primarily saves water through process innovation; in other water consumption activities, we use appropriate water-saving taps adapted to each water source based on the requirements and characteristics of water consumption, and control the water output by adjusting the water output equipment, so as to reduce the water consumption of daily flowing water. In addition, the Group posts slogans reminding staff to save water at water sites to deepen their awareness of water conservation.

Packaging materials

The Group's finished products, such as PC units, do not use outer packaging, and are generally paved with sleepers and covered with tarpaulins to prevent contamination of the finished products during transportation. The Mofang products are covered by PE film before leaving the plant and are then fixed externally by the transportation company using rainproof coloured cloth and ropes, which will be recycled by the transportation company after transportation. The main reason for the decrease in use of PE film in 2023 was that Mofang products started using reusable boxes as packaging.

		Mofang segment	
Indicator	**Unit**	**2023**	**2022**
PE film	kg	**244**	4,549

4.3 Environment and Natural Resources

Reducing noise and strictly controlling dust

The major environmental impacts of the Group's operating process include noise pollution and dust pollution. In particular, noise comes mainly from the operation of production equipment, equipment maintenance and noise from loading and transportation of outsourced transport vehicles into and out of the factories. In order to reduce the impact of noise from various plants on the lives of people in adjacent communities and residential areas, the Group strictly keeps the noise levels at the boundaries of production sites below 60 decibels during the day and below 50 decibels at night. Meanwhile, we have formulated the following provisions for noise control and prevention:

- The requirements of the Standards for Noise at the Boundaries of Industrial Enterprises shall be complied with in respect of noise at the boundaries of production sites; the requirements of the Limits of Noise Emitted By Stationary Road Vehicles and the Allowable Noise Limits for Motor Vehicles shall be complied with in respect of the noise of motor vehicles;

- For the noise pollution prevention and control facilities of construction projects, the "three simultaneities" system for environmental protection must be adhered to;

- When a new project is built or new equipment is introduced, the equipment department shall make an environmental impact assessment in time, and select equipment with high efficiency and low noise pollution as far as possible, so as to reduce environmental noise;

- Where construction noise is emitted to the surrounding living environment within the city limits, the standards for emission of environmental noise from production sites as stipulated by the State shall be complied with;

- Where machinery and equipment which may produce significant environmental noise pollution are used in the production process within the city limits, the production unit must file a report on the project name for the product, the production site and duration, the value of the environmental noise that may be produced, and measures taken to prevent and control environmental noise pollution with the competent administrative department for environmental protection of the people's government at or above the county level in the place where the product is produced 15 days in advance;

- In urban areas where noise-sensitive buildings are concentrated, it is forbidden to conduct production operations at night that cause environmental noise pollution. If it is really necessary to conduct production at night in excess of noise standards due to production process requirements or other special needs, an application shall be submitted to the relevant departments before production, and nighttime production can only be conducted after approval;

- Strong noise production site and the nearby residential areas must use closed enclosure with a height of not less than 1.8 metres;

- Equipment that emits strong noise on the production site should be located on the side far away from the residential area, and measures should be taken to reduce noise;

- Production machinery which is likely to produce noise and vibration shall be operated in strict accordance with the equipment operating procedures. In order to reduce noise, it is strictly prohibited to operate against rules.

We entrust environmental monitoring stations in places where our subsidiaries are located to carry out noise monitoring on our subsidiaries' production sites near residential areas and fill in the Noise Pollution Monitoring Record. Where the requirements of the standards are not met, the causes will be analyzed and measures will be taken for improvement.

For the Group, dust pollution comes mainly from concrete batching plants and product polishing during the production of PC units in local plants. Due to the extensive impact of industrial dust on the environment, employee health and plant equipment, the Group has made the following requirements for the batching plant facilities of local plants: First, during the procurement process for batching plant facilities, we must ensure that equipment provided by suppliers meet the national environmental standards, and explicitly prohibit the procurement of substandard products; second, we require the provision of pulse jet bag filters in the silos and main structure of the batching plant to remove dust; third, the batching plant must be in a closed indoor environment to prevent dust from being blown around by the wind. To control the product polishing process, the Group has set up an enclosed polishing room where the products are polished by robots and the dust generated during the process is collected by pulse jet bag filters and cleaned up regularly. Each factory engages a third-party testing agency to carry out on-site testing on dust emission every year, and no excessive emission was recorded in 2023.

In order to reduce the dust caused by the loading and unloading of vehicles, we have set up spray dust reduction facilities in places prone to generate dust during the intensive period of transportation, and have installed spray devices in various direct factories such as Lugu No.2 Factory, Hefei Factory, Lu'an Factory, Changshu Factory and Chenzhou Factory.

Picture 3: Spray dust reduction facilities in Hefei Factory

Natural resources

Our business activities do not involve direct consumption of natural resources, but the major purchased raw materials of steel bars, cement and sandstone for PC units manufacturing are related to natural resources.

Iron ore, the main raw material of steel bars, and limestone, the main raw material of cement, both involve mining. Mining may affect the local ecological environment, water source and biodiversity, and the operation process may also generate dust. Mine ecological environment protection is an important part of ecological civilisation construction system. Therefore, we pay attention to suppliers' environmental responsibility performance in supply chain management, such as closing technical renovation of transportation corridors and yards, restoration of mine ecology, green mine construction, etc.

With respect to sand and gravel, in order to protect the rivers, dams and the ecological balance, local governments have taken restrictive measures to varying degrees, such as setting time periods during which mining is not allowed, delineating areas where mining is prevented, and enhancing efforts over limited mining. In response to the basic national policy of protecting the environment and to maintain the stability of the supply chain, the sand and gravel used by the Group is basically machine-made, except for a small amount of river sand purchased by factories located along rivers, and some factories also use iron ore tailings sand and limestone tailings sand.

Save as disclosed above, our business activities do not involve significant consumption of other natural resources or material impact on the environment. The Group is well aware of the possible impact of our daily business operations on the environment, and will continue to strengthen its own system construction under the guidance of environmental management system standards, ensure compliance with all applicable environmental laws and regulations, and contribute to the common environmental cause of mankind.

Protection of biodiversity

Protection of biodiversity is a global consensus that requires the joint efforts of businesses, the public, governments, and various sectors of society. The "China Corner" meeting of the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity of the United Nations (second phase) released the "Business Biodiversity Conservation Cases" compiled by the World Business Council for Sustainable Development, the Business for Nature, the World Wide Fund for Nature and other organisations, and Broad Homes was the only prefabricated building manufacturer selected. Only 17 Chinese companies were selected for the casebook. This selection is a recognition of our efforts to raise biodiversity protection to strategic importance, establish a comprehensive ESG governance structure, and strive to provide more optimised ideas and comprehensive solutions for the development of carbon reduction in the construction industry through a series of technological advancements and changes in development methods. As a manufacturer of prefabricated building materials and a provider of comprehensive solutions, we will continue to promote technological innovation, management innovation and business model innovation driven by green and low-carbon scenarios, deeply integrate green and low-carbon concepts into our business management, consider biodiversity benefits in each specific aspect, and strive to create a better home for all mankind.

Case: Broad Homes Prefabricated Student Apartment Project at the Institute of Hydrobiology, Chinese Academy of Sciences

The Broad Homes Prefabricated Student Apartment Project at the Institute of Hydrobiology, Chinese Academy of Sciences adopted the fully prefabricated digital lean construction technology under the EPC construction model of Broad Homes to realize integrated delivery, providing a comfortable, convenient, safe, environmentally friendly and high-quality learning and research environment. The park of the Institute of Hydrobiology, Chinese Academy of Sciences is home to a large number of rare aquatic plants and animals. This project effectively maintains the habitat of aquatic plants and animals and imposes extremely strict requirements on on-site construction noise, dust, and water pollution, aiming to minimize the impact of the construction process and preserve the natural environment. Through industrialized production, Broad Homes transforms on-site construction into factory management, greatly simplifying on-site operations, significantly reducing construction waste and building material consumption, and ensuring clean, tidy, fast, and efficient on-site construction. With a highly industrialized and fully digitized construction approach, Broad Homes effectively addresses the pain points of long construction period, high costs, and large resource consumption in traditional apartment construction. It focuses on improving and expanding industrial parks and schools, offering rapid and practical solutions for implementation.

Picture 4: Site of the Fully Prefabricated Student Apartment Project at the Institute of Hydrobiology, Chinese Academy of Sciences

4.4 Climate Change

At present, global warming, sea level rise and abnormal climate phenomena intermittently affect people's work and life, and also continue to attract the attention of the whole society. With reference to the framework of TCFD (Task Force on Climate-related Financial Disclosures), we gradually carried out status review, strategy formulation, risk management, index and target identification and management on the risks and opportunities that the Group may face due to climate change.

Governance

Similar to the overall environmental, social and governance regulation, the Group's Strategy Committee under the Board is responsible for monitoring climate-related risks and opportunities. Broad Homes Research Institute cooperates with various departments to jointly identify and study the impact of climate change on our business activities and support the Board of Directors to carry out monitoring in this regard.

Strategy and Risk Management

Climate-related risks include those related to the transformation to low-carbon economy (the "**Transformation Risks**") and those related to the physical impact of climate change (the "**Physical Risks**"), among which Transformation Risks can be categorised into policy and legal risks, technical risks, market risks and reputation risks, while Physical Risks include acute risks (such as extreme weather, including typhoon and flood) and chronic risks (climate pattern change such as persistent high temperature).

With respect to acute Physical Risks, our products are manufactured in indoor factories with good conditions. Except for labor management (safety and absenteeism), extreme weather such as typhoon, rainstorm and high temperature at the factory premise has little impact on production, but the lifting and loading progress of outdoor operations will be delayed, which may affect the construction progress of our customers. The extreme weather in the project premise will affect the site construction conditions and even the project progress. We may have to adjust the time of delivery according to the weather conditions of the project location at the request of our customers. The Big Data Department of the Group is responsible for the management of production scheduling and delivery. In scheduling, it takes into account the possible negative impacts of factors including extreme weather and makes flexible adjustments to provide sound customer service.

With respect to chronic Physical Risks, on the one hand, global warming may increase our operating costs, and on the other, the whole society is increasingly calling for energy conservation and emission reduction. As one of the major contributors of national economic development, the construction industry has traditionally consumed significant energy. Promotion of energy conservation and emission reduction in the construction industry will serve as the source of energy conservation and become the focus for energy conservation and emission reduction in the whole society. We foresee that our customers' demand for green design, green production and green construction will be boosted as a result, which offers opportunities that Broad Homes, as a provider of prefabricated construction solutions, may firmly grasp with rich technical accumulation, advanced technological level and continuous cutting edge research. Leveraging thermal insulation design higher than the current national standards and technological manufacturing that leads the industries, it will give full play to the remarkable advantages of prefabricated buildings in energy conservation, material saving, emission reduction and improving production efficiency, and provide high-quality construction products that save energy and reduce emissions during the whole life cycle.

With respect to Transformation Risks, with the deepening awareness of climate change from all walks of life and the implementation of relevant policies, the overall market demand for prefabricated building products will continue to increase. Meanwhile, with the active transformation of traditional building materials manufacturers, competition may also intensify. However, for the technological innovation and development prospects of the whole industry, opportunities outweigh risks. We will continue to pay attention to the impact of climate change on the Group's business, respond to policy requirements, and further improve strategy formulation, risk management, index and target identification and management, and join hands with all walks of life to cope with climate change and achieve common sustainable development. We always believe that rather than only guarding against risks from climate change, we should take the initiative to identify opportunities, including resource efficiency, energy sources, products and services, market and adaptability.

Indicators and Targets

We use energy efficiency, water efficiency, waste reduction and greenhouse gas emission reduction as indicators in accordance with the TCFD and HKEx ESG reporting guidelines, and progressively improve our management system and set quantitative targets.

5. SOCIAL RESPONSIBILITY

5.1 Employment

The construction industry is labor intensive, and it is crucial for the Group to standardise employment and stabilise the workforce to achieve long-term stable development.

Legal employment and interest protection

The Group and its subsidiaries protect the legitimate rights and interests of employees in strict accordance with the Civil Code of the People's Republic of China, the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China and other relevant national laws and regulations, and pay employees compensation and contributions to social security and housing provident funds on time and in full. Based on laws and regulations and the actual situation of the Group, we have formulated Concise Personnel System, Personnel Change Management System and Recruitment Management System, updated the Attendance Management System and Employee Handbook in 2023 and completed relevant filing procedures in accordance with relevant laws and regulations. As at the end of the Reporting Period, the Group did not violate national and local laws and regulations in employment.

Fair recruitment to attract talents

Employees are one of the most important sources of the enterprise's core competitiveness. The Group adheres to the principles of "fair competition, openness and transparency", and search far and wide for talents through online recruitment, internal recommendation, We Media recruitment, campus job fairs, and labor market job fairs, and fully utilizes new media (new recruitment channels in 2023 including Douyin/Kuaishou), so as to attract senior management members and professional talents in different fields in line with the Group's strategy requirements, professional standards and value orientation.

The principle of equality runs through the whole process of the Group's human resources management. With the deepening and continuous development of the Group's two-wheel drive consisting of wholly-owned factories and Joint Factories, the Group's demand for labor is increasing day by day. While providing a large number of jobs and opportunities for society, we always select and employ applicants on the principle of equality. In terms of promotion, training, compensation and benefits, employees will not be discriminated against on the basis of age, gender, physical or mental health, marital status, family status, race, color, national origin, religion, political affiliation and sexual orientation.

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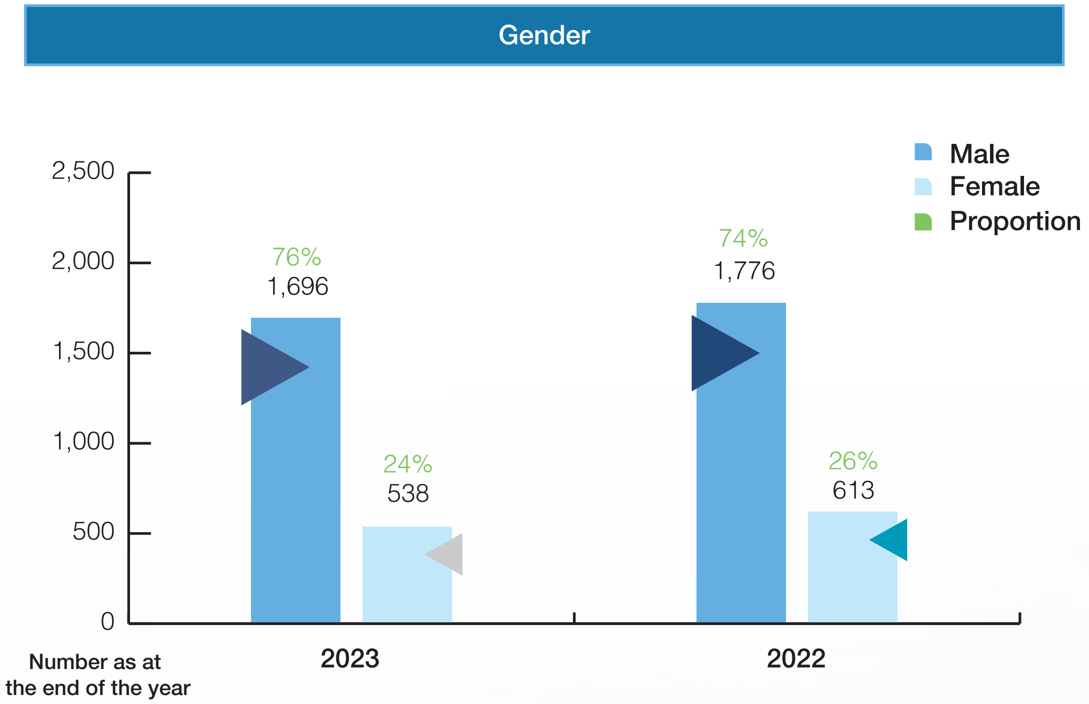
As at the end of the Reporting Period, the Group and its subsidiaries hired 2,234 full-time employees who have entered into labor contracts directly with the Group and its subsidiaries, representing a decrease of 155, or 6.5% from the end of the previous year. In terms of staff turnover, 1,195 employees left the Group during the Reporting Period, with a turnover rate of 53% (2022: 56%).

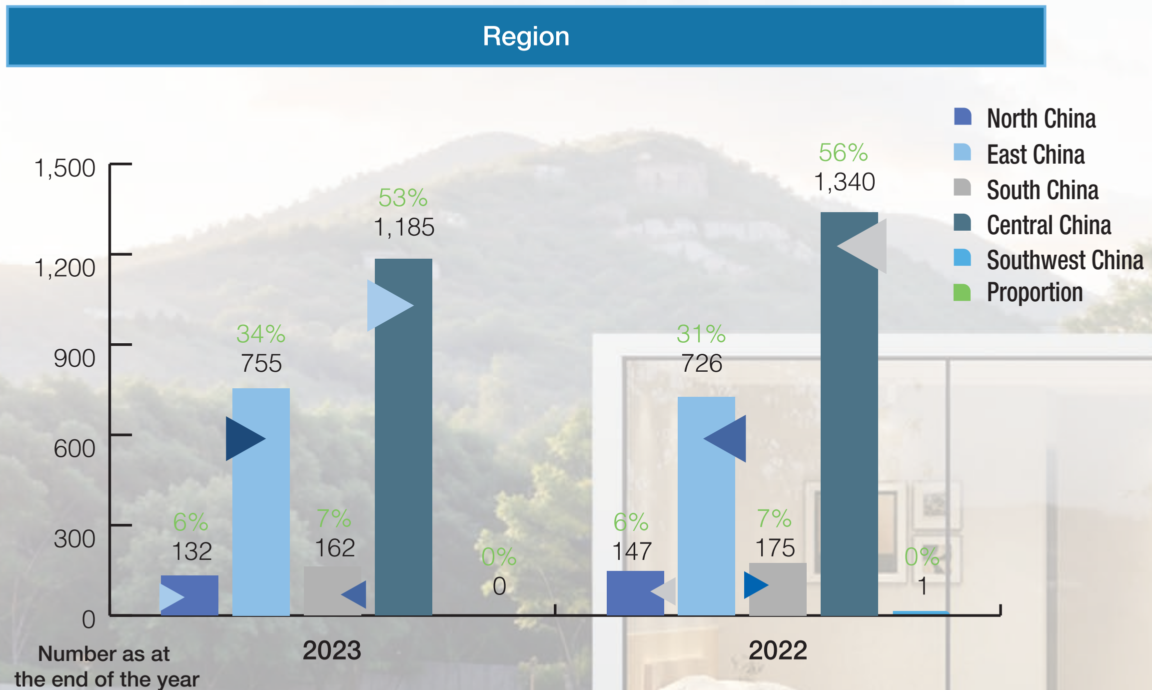
To adapt to social and business development needs, and fully leverage the motivating role of compensation, the Group has established a rigorous, scientific, and fair compensation system and performance evaluation system based on industry salary research and analysis to further expand career advancement opportunities for employees. For technical and managerial positions, the Group implements a position-based salary system following the principle of equal pay for equal work. For marketing and sales positions, we have implemented an incentive system that combines fixed salaries with commissions to reflect the fairness of value and corresponding compensation for each position. Currently, the overall salary level of the Group is highly competitive within the region and industry. Which not only attracts talent from within the industry but also effectively retains existing talent.

The Group also provides various employee benefits in daily work, including meal allowances, communication allowances and holiday benefits, so as to effectively improve the sense of belonging of employees, make employees feel the care and warmth of the enterprise, and reduce employee turnover in the construction industry under the macro circumstance. In view of the fact that employees tend to leave at the initial stage of employment, we take the initiative to provide on-the-job care for employees through recruitment and training to understand whether they adapt to the working environment, so as to effectively deal with urgent problems. Moreover, the Company provides employees with flexible work arrangements, flexible working hours, and supplies for preventing the flu, and other caring measures based on the actual situation, aiming to enhance employees' sense of happiness and belonging.

Set out below is the information of full-time employees by gender:

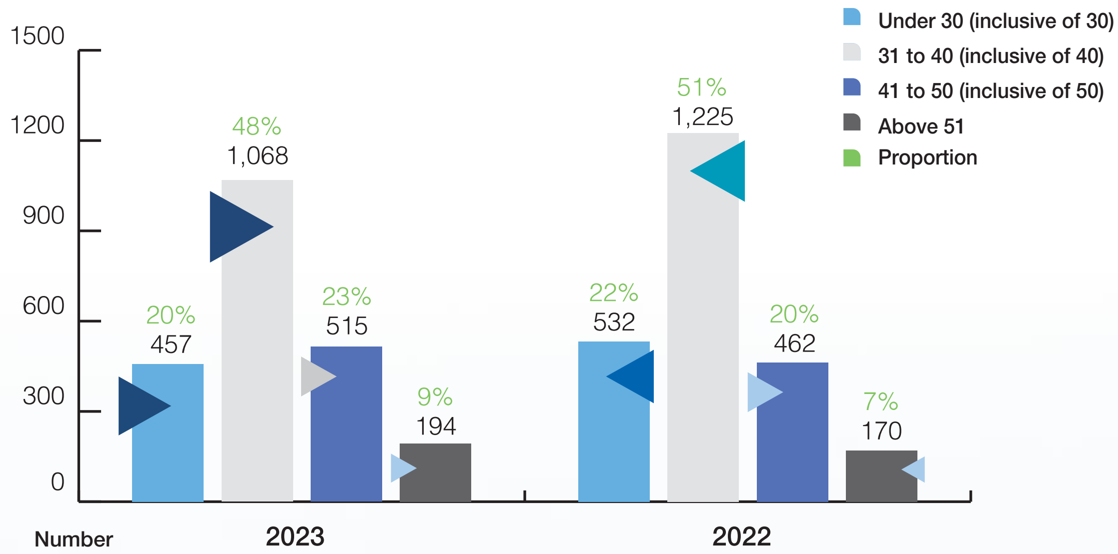


Set out below is the information of full-time employees by region:



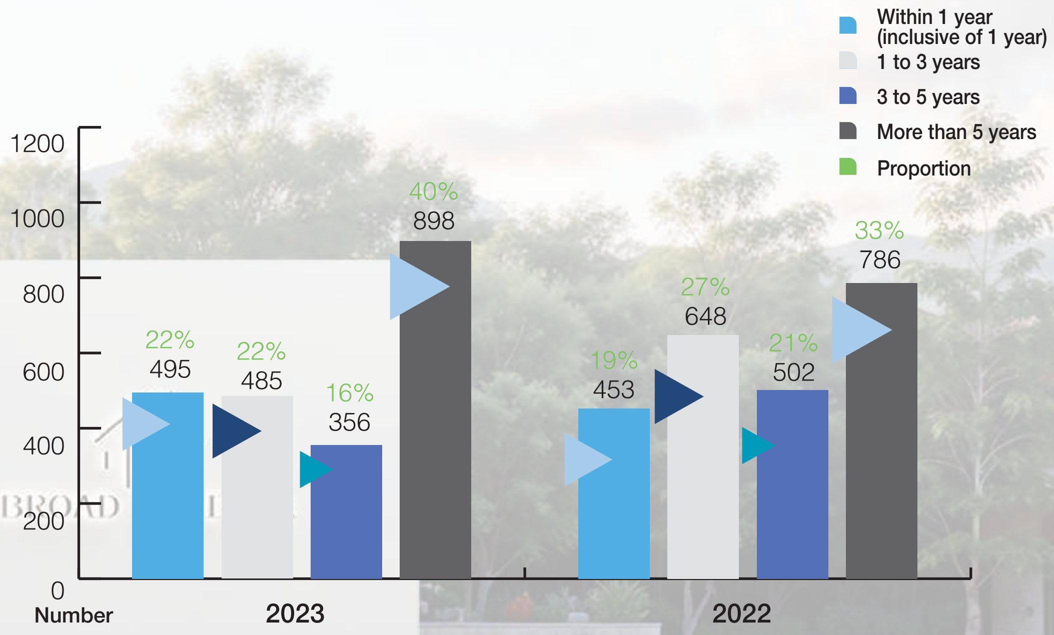
Set out below is the information of full-time employees by age group:

Age group



Set out below is the information of full-time employees by work age with the Group:

Work age with the group



Set out below is the information of full-time employees by ranks:

Rank	2023 Number	2023 Proportion	2022 Number	2022 Proportion
Senior management	**62**	**3%**	75	3%
Middle management	**488**	**22%**	591	25%
General staff	**1,684**	**75%**	1,723	72%

Set out below is the information of employees turnover rate by gender:

	2023	2022
Male	**55%**	58%
Female	**43%**	48%

Set out below is the information of employees turnover rate by main region:

	2023	2022
North China	**61%**	31%
East China	**42%**	34%
South China	**175%**	129%
Central China	**40%**	58%

Set out below is the information of employees turnover rate by age group:

	2023	2022
Under 30 (inclusive of 30)	**63%**	65%
31 to 40 (inclusive of 40)	**56%**	56%
41 to 50 (inclusive of 50)	**38%**	46%
Above 51	**32%**	38%

Explanations:

1. The primary reason behind much higher proportion of male than female employees is attributable to the industry where the Group operates, which does not deviate from the principle of equal employment (including recruitment and promotion) of the Group.

2. The turnover rate is calculated by dividing the number of employees leaving in that year by the number of employees at the end of last year. In view of the fact that the number of employees that have served in the Group for over 5 years continues to increase, and the high turnover rate has always been an inherent problem in the construction industry, the turnover rate of the Group during the Reporting Period is, to the larger extent, attributable to the high turnover rate in factories, and core staff remained relatively stable.

5.2 Health and Safety

The business operation of the Group involves machining, power consumption, welding, lifting and loading processes. Therefore, our employees may face various risks of work-related injuries and accidents. We attach great importance to the construction of safety system, strengthen safety training and implementation of safety system and establish a safe working environment for employees, to minimise possible casualties and occupational disease during production and operation.

Occupational safety and institutional guarantee

The Group strictly abides by the Law of the People's Republic of China on Safety Production, Basic Standards for Enterprise Safety Production Standardisation, Labor Law of the People's Republic of China, Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other relevant laws and regulations. We have implemented the safety management system and set up the Production Safety Management Committee to raise advice and review the safety procedures in the workplace, so as to provide a safe, healthy and comfortable working environment for employees.

The Group adheres to the basic policy of "safety foremost, prevention first and comprehensive management" for its production process management, and strives to reduce the risk of accidents in production and operation with stricter standards and a more rigorous attitude. The Group has formulated relevant rules and regulations such as "Occupational Health Management" to regulate various tasks of occupational hazard prevention and control management, prevent, control and eliminate occupational hazards in production and operation activities, prevent and control occupational diseases, and practically safeguard the occupational health of employees. Relevant measures include:

- clarify the responsibility of occupational hazards prevention and control, inform and declare occupational hazards;

- regulate the monitoring of workplace hazards in the enterprise, comprehensively assess the severity of occupational hazards in the workplace and prevent, control and eliminate occupational hazards by improving the operating environment and strengthening personal protection, thereby effectively preventing the occurrence of occupational diseases and safeguarding the health of employees;

- establish a management system for work protection equipment and strengthen the management of procurement, use and distribution of work protection equipment to protect the safety and health of employees.

In order to give employees in different positions and with different responsibilities clues about operating procedures and safety risks for specific machinery, the Group has published more targeted safety operating procedures and relevant operating instructions for 13 kinds of equipment that may be involved in the production process, which give detailed and rigorous explanations in terms of prevention, operation, troubleshooting and maintenance, etc., and provide more professional guidance and a stronger guarantee for employees regarding operating procedures and occupational safety.

Through the Common Hazards in Plants and Preventive Measures, the Group clarifies the main risks that plant employees may face during production and operation, classifies hazards into being injured by machinery or equipment, being struck by or against objects, electric shocks, falling from high places or into foundation pits, and pressure vessel explosions, and puts forward specific prevention requirements for different risks, so as to inform and warn plant employees about risks and nip accidents in the bud. In order to improve occupational health management capabilities, the Group's directly-managed factories invite qualified third-party testing agencies to conduct annual tests on hazardous factors in the workplace and occupational environment, actively adopt and implement the recommendations on occupational disease prevention and control set out in the test reports, promptly arrange health check-ups for employees in relevant positions exposed to occupational hazards, form occupational health monitoring files, and make annual reports on occupational health to the competent authorities on occupational health management.

The operation of machinery and equipment is one of the main tasks for employees at the Group's plants in their daily work. We have put forward more detailed specifications for equipment safety management, including:

- Pre-job training for operators;
- Formulating safety operating procedures;
- Developing a maintenance system;
- Installing safety protection devices;
- Performing routine inspection before use.

Safety training for all employees

Occupational safety should be deeply rooted in the system, and the Group has established a safety education mechanism, including classroom training and field exercises. The Production Safety Management Committee of the Group regularly carries out safety inspections and evaluations on local factories under the Group, and at the same time requires local factories to carry out various safety trainings and disaster prevention exercises, so as to effectively improve the safety awareness and safety protection capacity of employees by integrating study with practice. During the Reporting Period, the Group carried out a total of 1,116 (2022: 1,006) trainings and exercises related to safety education, with 16,899 (2022: 16,757) participants, of which 1,570 (2022: 546) were induction safety trainings for new employees. All new employees are required to participate in safety education before taking up their posts, and existing employees are required to review it regularly every year, with a coverage rate of 100%.

Type of training	Key indicator	2023	2022
Safety training	Total number of safety trainings and disaster prevention drills	**1,116**	1,006
	Number of participants in safety trainings and disaster prevention drills	**16,899**	16,757
	Number of induction safety trainings for new employees	**1,570**	546
	Coverage rate of induction safety trainings for new employees	**100%**	100%

Case: "Production Safety Month" campaign

In 2023, the Group actively responded to the national call for production safety. With the core theme of "Safety is Everyone's Responsibility, Emergency Response is Everyone's Skill," we conducted a series of diverse and engaging activities in our direct factories during the "Production Safety Month". During these activities, the Group emphasized that every employee is the primary person responsible for production safety. By organizing special lectures and training seminars, we fostered a strong atmosphere of production safety, effectively enhancing the safety competence of all employees, and providing robust safety assurance for the sustainable and steady development of the Company.

Picture 5: Factories of the Group carried out "Production Safety Month" drills (entities shown in the pictures are Xiangtan plant, Hefei plant and Lugu plant, respectively)

System construction and implementation

The construction of occupational health and safety management system of the Group has achieved initial success, and the Group has obtained ISO45001:2018 certification and the "Tier-three Enterprise of Safety Production Standardisation" certificate issued by the State Administration of Work Safety. As of the end of 2023, a total of five factories in Hangzhou, Hefei, Lugu, Huizhou and Chenzhou obtained the certificate of "Tier-three Enterprise of Safety Production Standardisation".

Picture 6: The GB/T45001-2020/ISO45001: 2018 certification standard of occupational health and safety management system and the certificate of "Tier-three Enterprise of Safety Production Standardisation" obtained by the Group

Picture 7: The certificate of "Tier-three Enterprise of Safety Production Standardisation" obtained by Broad Homes Industrial (Hangzhou) Co., Ltd.

We continuously improve the construction of our safety management system and strengthen the management of production safety in two aspects of system and technology as well as software and hardware to fully safeguard the occupational health and life of our employees. In terms of system development, the Group has formulated the Standardised Safety Management Manual, adhered to the general principle of "Prioritizing prevention and ensuring effective implementation, guaranteeing safety by complying with relevant regulations, and facilitating improvement with concerted efforts of all staff", and regularly facilitated and standardised nine major safety management tasks, including equipment and facilities management, occupational health management, and safety management evaluation and assessment based on high standards and requirements, in order to maintain a solid foundation for production safety. For technological development, we have developed and optimised the PCCPS-BSM safety information management system to enable timely monitoring of operational safety status of the plants while creating digital data on equipment safety to ensure efficient management of accidents and potential hazards, thereby enabling collaborative and intelligent management of production safety of plants through standardised procedures.

The Group has established and improved the "Operation Safety Management" and other related rules, including special operation management, special operator management, warehouse safety management, fire safety management, safety warning sign management and related party safety management, to strengthen the safety management of enterprise production sites and production process control, strengthen operation practice management, improve on-site warning signs, and control and eliminate potential risks in the production process to achieve production safety. In addition, we have also improved the "Safety Accident Management" and other related rules, including safety inspection and hidden danger management, safety risk assessment and control management, hazardous materials and major hazard source management, accident emergency management and safety accident reporting/handling management, to effectively control and eliminate potential risks in the production and operation process, prevent and reduce production safety accidents and achieve production safety.

The details of employees suffered work-related injuries and loss of working days due to work-related injuries of the Group during the Reporting Period and the last two years are as follows:

	2023	**2022**	**2021**
Number of employees suffered work-related injuries	**23**	17	22
Loss of working days due to work-related injuries	**572**	482	517

During the Reporting Period, the Group had no work-related death (2022: 1 (due to improper operation in the factory); 2021: nil). After occurrence of work-related death, the Group will immediately take countermeasures and set up an investigation team to get information from the supplier which such person served and the department where the accident occurred, find out the cause of the accident, and report it top-down within the Group, warning all employees and people working in the Group's premises and further strengthening safety education, thereby improving safety awareness and production safety skills of all employees.

5.3 Development and Training

We always believe that our employees are one of our most valuable assets. It is the hard work of employees that promotes the continuous development of the Group. Meanwhile, the personal development of employees is closely related to the development of the Group. We provide internal and external trainings for employees to improve their understanding of our corporate culture, strategy, management system and IT skills, and provide trainings for individual employees according to their respective job types. Meanwhile, we have set up Broad Homes Lean Academy, which provides systematic training on prefabricated buildings for our employees and managers and technical workers at Joint Factories, so as to cultivate talents for the prefabricated construction industry.

Diversified training to build a solid foundation

The Group has established the Training Management System and arranged and managed the training business of the Group and its subsidiaries as a whole. In terms of arrangements for training, the Group made a point of tailoring teaching to fit individuals and combining theory and practice. For employees in different positions and with different needs, the Group tailored online training to their career planning and the grades of their jobs. In 2023, we updated the Management Method for Production Line Staff Skill Training and Certification to address the job requirements and skill levels of production line staff in our direct factories. This method covers job responsibilities, job knowledge, job skills, and work standards, ensuring that employees are familiar with and proficient in the key skills required to perform their respective job duties. In order to enable employees to learn and train flexibly, we strengthened the development of online courses, developed the WeChat app of “Broad Homes Lean Academy” as an online training platform, increased efforts in online learning, overcame the geographical and time constraints through online learning, built a fundamental platform for employees to enhance their professional skills and transferable abilities across departments and positions anytime and anywhere, thereby facilitating the comprehensive development of employees with learning desire and ability.

We have established the Instructor Management System, continued to promote the development of the Group’s lecturer team, established education research offices on marketing, technology, production, lean management, engineering, human resources and finance, attracted outstanding talents through a bottom-up approach, quickly understood the business trends, facilitated internal knowledge creation, sharing and accumulation, and supported the promotion of corporate culture, which laid a solid foundation of talents for sustainable development.

The Company offers a wide range of training programs and encourages local plants to provide training that is more diverse in form and richer in content, including but not limited to new employee orientation, professional competence training and position certification, workers’ skills training and professional skills grading, workshops, management seminars, and live courses. The main forms of training include lectures, case studies, practical exercises on production lines, mentorship and sand table exercises, covering all business lines such as marketing, technology, manufacturing, engineering, human resources and finance. In 2023, the Group launched the “Expedition” training program, which provides leadership training for core positions in an outdoor setting, aiming to enhance the leadership, team cohesion, and execution capabilities of core position employees.

Environmental, Social and Governance Report

In 2023, the Group held more than 600 trainings, including 487 live training sessions, with more than 41,000 participants; 154 offline trainings, with more than 2,000 participants, and uploaded 53 new online learning videos on business standardisation and position standardisation. The training covered all employees, and the average training hours per employee was 143 hours/year.

The Group arranges targeted training based on the functions of different positions:

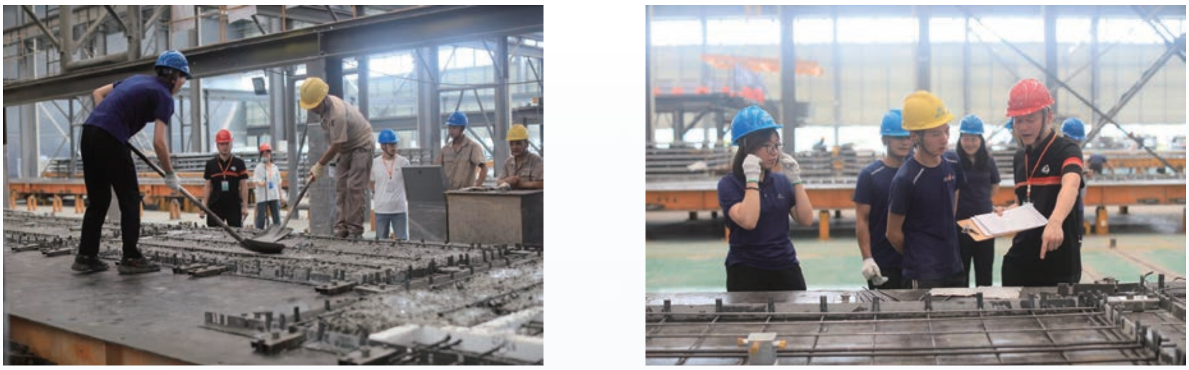
- For frontline staff, we focus on strengthening the operational skills and execution abilities of relevant positions;
- For middle management staff, we focus on developing the abilities to identify, analyse and solve problems as well as coordination skills;
- For senior management staff, we focus on the enhancement of abilities in decision making, public relations management and business management.

Information on staff training is as follows:

Item	Key indicator	2023	2022
Percentage of employees trained by gender	Percentage of male employees trained	**99.7%**	99.6%
	Percentage of female employees trained	**98.3%**	98.9%
Percentage of employees trained by ranks	Percentage of senior management staff trained	**100%**	100%
	Percentage of middle management staff trained	**100%**	100%
	Percentage of frontline staff trained	**99%**	99%
Training hours per employee	Training hours per employee	**143 hours per year**	163 hours per year
	Training hours per male employee	**163 hours per year**	173 hours per year
	Training hours per female employee	**123 hours per year**	153 hours per year
	Training hours per senior management staff	**193 hours per year**	223 hours per year
	Training hours per middle management staff	**143 hours per year**	159 hours per year
	Training hours per frontline staff	**97 hours per year**	107 hours per year

Picture 8: In-class training

Picture 9: Training camp for senior management of principal business



Picture 10: Operation training

Cultivating talent in an open and inclusive manner

We appreciate the importance of talent cultivation and knowledge sharing. In May 2016, we set up Broad Homes Lean Academy, the first in China to provide systematic training on prefabricated buildings, and developed a set of proven and replicable Broad Homes business solutions (BBS) with the support from outstanding employees of the Group based on successful business models and patterns, providing training courses for employees while cultivating talents for the prefabricated construction industry, thereby facilitating industry talent development.

Broad Homes Lean Academy provides comprehensive training courses for our employees and employees at Joint Factories covering various aspects including marketing, technology, manufacturing, construction, human resource and finance in the prefabricated building industry. The courses are specially developed by us to provide the practical skills training required for different operational and managerial positions through PC-CPS, and consist of a one-month online course and test on the Wechat application of Broad Homes Lean Academy and a two-month internship at a PC plant. By learning at the Broad Homes Lean Academy, employees will acquire basic knowledge of PC unit manufacturing and PC-CPS, and have the opportunity to practice at a plant. Only after completing the course and practice can the relevant employees perform their duties in specific positions. After completing specific course and passing the examination at the Broad Homes Lean Academy, students will receive position certification from Broad Homes Lean Academy.

During the Reporting Period, we organized more than 10 industry exchange tours and exchanged with over 1,000 design and production professionals on the development trends and cutting-edge technologies in the prefabricated construction industry., and conducted training exchanges with various industry partners with an open mind. We believe that a high-quality talent team will support our continuous technological innovation in the future and strengthen our leading position in the market. In addition, we are working with leading academic institutions, real estate developers and leading companies in China to explore the functional performance of PC units and study the structure of building materials. As of the end of the Reporting Period, we had signed cooperation agreements with well-known architectural design firms, well-known enterprises, and colleges and universities, including scientific research institutes, such as China Europe International Business School, Hunan Agricultural University and Hunan University to continuously improve our professionalism through cooperative R&D and technical exchanges. This is also conducive to boosting the commercialisation of scientific and research findings by colleges and universities and promoting the common prosperity and progress of the industry.

Nurturing talents to support national development through vocational education

The Group has been qualified as a social training and evaluation organisation for professional skills grading in Hunan Province in 2020 and has started to carry out professional skills grading for cement and concrete product workers, moulders, steel reinforcement workers and builders of prefabricated construction. The Group also obtained a special qualification for professional skills assessment in Hunan Province in 2020, which allows it to provide professional competency assessment for builders of prefabricated construction and PC units. As of the end of 2023, 1,659 training certificates/vocational skill level certificates were issued.

Broad Homes Group Staff Vocational Training Center was qualified to provide subsidised training for junior, middle and senior building information model technicians and junior, middle and senior cement and concrete workers (reinforcement skeleton workers, mixing workers, forming and manufacturing maintenance workers and quality inspectors), and added the vocational certification of "prefabricated building constructor" and "building information model technician" in 2023. In April 2023, we conducted a rebar worker training program with a total of 74 participants. Out of these, 60 individuals were certified as qualified, resulting in a pass rate of 81.08% (56 were classified as advanced level, 1 as intermediate level, and 3 as beginner level). In July 2023, we organized a concrete worker training program with 43 participants. Out of these, 35 individuals were certified as qualified, resulting in a pass rate of 81.4% (28 were classified as advanced level and 7 as beginner level).

The Group also actively supports employees' participation in skill competition activities. In October 2023, four employees from our Hangzhou plant achieved excellent rankings in the Hangzhou "Broad Homes Cup" Prefabricated Building Vocational Skills Competition and the 6th Zhejiang Province Prefabricated Building Vocational Skills Competition, which was co-organized by Broad Homes Industrial (Hangzhou) Co., Ltd., Hangzhou Urban-Rural Construction Committee, and Hangzhou General Federation of Trade Unions. In October 2023, our Changshu plant participated in the 5th Yangtze River Delta Prefabricated Component Skills Competition in 2023 and won the third place in the Taicang division. In November 2023, our Anhui plant participated in the "Baoye Cup" 4th Hefei Prefabricated Building Vocational Skills Competition in 2023 and won the second prize in the component fabrication competition.

Picture 11: 6th Zhejiang Province Prefabricated Building Vocational Skills Competition

Picture 12: 5th Yangtze River Delta Prefabricated Component Skills Competition in 2023

5.4 Labor Practices

Strict examination to prohibit child labor

Teenagers and children are the hope of the country, and their healthy growth requires the joint protection from all walks of life. Therefore, the Group strongly opposes employment of children and resolutely prevents child labor.

According to the National Law on Protection of Minors, Provisions on Prohibition of Child Labor and other laws and regulations, the Group and its subsidiaries explicitly prohibit employment of any person under the age of 18, and conduct strict examination in the recruitment process to avoid misuse of child labor. All employees of the Group are required to present the original ID card and submit a copy of ID card signed by himself/herself for filing when going through the entry formalities, so as to ensure that the employees hired are over 18 years old. From time to time, the human resources administration centre conducts random checks of personal information of employees during internal audits. If misuse of child labor is found, it will be rectified immediately by terminating employment and holding those responsible accountable.

During the Reporting Period, there was no incident of child labor in the Group.

Compliance and free employment

The Group respects the freedom of employment of its employees. During the whole employment period, the Group and its subordinate factories are prohibited from detaining employees' valid certificates, collecting deposits, forcing labor or defaulting on remuneration.

The Group informs the employees of the working hours of their corresponding positions before they join the Group and obtains consent from employees if the working hours require to be adjusted due to production needs or post changes after they take up the job. If overtime work is arranged after obtaining the consent of employees due to production scheduling, the Group will pay for overtime service or arrange for leave. Employees who propose to leave the Group shall go through the formalities according to the process. We have also built an internal supervision mechanism, and publicised whistleblowing email, address and telephone number to accept reports of violations of laws and regulations.

During the Reporting Period, there was no incident of forced labor in the Group.

5.5 Supply Chain Management

Supply chain is the key to corporate development and supply chain management is one of the core competitiveness of an enterprise. The Group designs, plans, controls and optimises logistics, information flow and capital flow through a detailed supply chain process management system, establishes strategic cooperation with supply, production and sales enterprises as well as customers, transmits information at each section in a true, effective and fast manner through an electronic information management platform, avoids bullwhip effect, and minimises internal depletion and waste, thereby achieving the sound operation and sustainable development of the supply chain as a whole.

Prudent admission with strict control

The Group's procurement process follows the principle of "open, fair and impartial, and eliminate corruption through transparent trading". We manage supply and procurement mainly through the PC-CPS supply chain module. The main focus of the headquarters' procurement work is to set procurement prices and manage the procurement module through the supply chain module, so as to ensure the implementation of relevant policies and supervise procurement activities. Local plants conduct specific procurement work independently through the supply chain module, including bidding procedures, the signing and filing of procurement contracts, and payment settlement.

Our suppliers (and potential suppliers) can register accounts on the supplier side of the PC-CPS supply chain module. After we conduct preliminary screening according to the built-in standards of the system, qualified suppliers will become our candidate suppliers, which can obtain information on our procurement needs through the supply chain module, and can also submit their bids through the supply chain module. After receiving bids submitted by suppliers, local plants will select suppliers according to the procurement policy. As prices vary from place to place, the procurement department at the headquarters provides different benchmark prices for raw materials based on local prices. Once the cost reported or determined by the system exceeds the benchmark price, the procurement department at the headquarters will step in to determine whether the increase is reasonable. The headquarters and local plants interact with each other to ensure that suppliers are selected in a fair and impartial manner.

We use the Delphi method (expert opinion method) to identify environmental and social risks in the supplier admission process; in the formal cooperation process, we use event tree analysis to analyse and predict environmental and social risks based on the integrated basis of "human, machine, material, law and environment". In the process of product delivery and use, we use event tree analysis to break down and identify the real risks and causes through tracking and analysis of specific use scenarios. The Group implements comprehensive risk management, extensively and continuously collects information on each aspect of supply chain management, identifies and collates risk information, analyses the identified risks using a combination of qualitative and quantitative analysis methods, formulates corresponding measures, implements and adjusts control measures based on changes in circumstances.

Full-process supervision and prioritizing stability

As at the end of the Reporting Period, the Group had a total of 1,031 suppliers (including 105 new suppliers) related to product manufacturing and customer service. The distribution by region is set out below:

	PC units business	Mofang business	PC equipment business	Total
East China	299	39	2	340
South China	86	27	0	113
Southwest China	1	3	0	4
Central China	353	101	8	462
North China	101	6	2	109
Northeast China	3	0	0	3
Total	843	176	12	1,031

Due to the stringent quality requirements, we do not frequently change suppliers in our business, but rather maintain long-term relationships with key suppliers which provide excellent quality and stable delivery, so as to take advantage of the economies of scale and ensure stable and efficient supply. As of the end of the Reporting Period, 175 of our PC raw material suppliers and 12 of our OEM equipment suppliers have been partnering with us for more than three years. While maintaining long-term stable relationships with our suppliers, we continue to maintain strict control during the cooperation period, with measures including:

- On-site scoring and evaluation. For potential and partnering suppliers, we regularly organise professional staff from different departments to conduct spot checks at suppliers' sites for confirmation. During the Reporting Period, the Group performed 365 supplier inspections with a pass rate of 90.63%;

- Comprehensive performance assessment of suppliers. The Group tracks, assesses and evaluates the supply, quality, services and prices of existing suppliers. During the Reporting Period, the Group conducted two comprehensive performance assessments of suppliers with pass rates of 94.05% and 95.26% respectively.

For suppliers who fail to pass the on-site scoring or comprehensive performance assessment, we will require rectification/terminate cooperation as appropriate.

Performing responsibilities through responsible procurement

When it comes to comprehensive consideration of procurement, the Group always puts quality first. Meanwhile, the Group will identify, assess and monitor the environmental and social risks by requiring relevant qualification certificates, market case reference and on-site inspection. Practices are implemented for new suppliers and annual audits for applicable suppliers. Environmental and social responsibility risk control is as important as product quality control. The Group develops and continuously improves its supply chain risk management system. Currently, it includes material procurement and service outsourcing suppliers into the scope of risk supervision, and pays attention to the inclusiveness and diversity of suppliers' employees in the scope of supervision, whether the products supplied cause pollution in the process of production, whether the production workers work in a safe environment, whether they receive appropriate compensation, whether they have reasonable rest time each month, and whether the whole process is in compliance with labor standards and requirements, and conducts comprehensive research and judgment, so as to adjust the supply chain procurement practices and align the supply chain social risk management with the supply chain procurement practices.

The Group implements classified management of suppliers based on the actual business requirements:

As for PC unit manufacturing business, our raw materials mainly include cement, steel, sand and gravel. As for cement and rebar, we mainly purchase products with a good brand reputation from local traders near PC plants, for we believe that well-known brands generally represent good product quality. As far as sand and gravel are concerned, we mainly purchase cost-effective products that meet our quality requirements from local suppliers near PC plants. As for transportation cost, we never compromise in selecting raw materials because of distance and we generally purchase from suppliers with long-term cooperative relationships with us in China, for we believe that suppliers with long-term cooperative relationships with us can provide reliable and cost-effective products.

In the selection of PC material suppliers, we consciously prefer eco-friendly and energy-saving companies, which we believe are more socially responsible, and we determine whether the production process is green and eco-friendly through on-site assessment. We also impose stringent requirements on the procurement of cement and sand and gravel. In the procurement process, we adhere to the "eco-friendly procurement" policy and strictly complied with the following requirements: firstly, we implement category list management and control of energy-saving and eco-friendly products and environmental label products; secondly, we implement merit-based procurement based on the list of energy-saving and eco-friendly products and certification, and prefer to procure products produced by manufacturers that meet the standard requirements of the "Green Factory Evaluation Requirements for the Cement Industry" and "Green Factory Evaluation Requirements for the Sand and Gravel Industry".

As for PC equipment manufacturing business, we purchase equipment from different OEM service providers according to the technological complexity of equipment, and for the heavy PC equipment products, we consciously prefer energy-saving products when selecting equipment models. As for technologically sophisticated equipment that requires high precision production technology, we purchase from well known equipment suppliers in China. As for technologically unsophisticated equipment, we purchase cost-effective products that meet our quality requirements in China. As for construction contracting business, we engage third-party subcontractors to provide construction services for the projects that we undertake as the general contractor. We closely monitor the quality of the subcontractor's works during the construction process, shoulder responsibility for customers for the performance of the subcontractor, and ensure that the quality of the works meets the standards.

The Group also implements the quality responsibility system of "whoever purchases will be responsible" to emphasize the importance of the quality of purchased materials. If there are quality problems in purchased materials, units and personnel who are responsible for design and type selection, supplier selection and procurement implementation will be held accountable according to the principle that powers and responsibilities are matched. In addition, in the procurement process, the Group pursues the policy of "environmental-friendly procurement" and strictly abides by the following regulations: First, it implements category list control for energy-saving and environmental protection products and environmental labeling products; second, implements preferred procurement according to the list of energy-saving and environmental protection products and the certification.

5.6 Product Responsibility

The Group's products are mainly used in construction projects, the quality of which is not only the reputation of Broad Homes and our partners, but also relates to the life and property safety of thousands of households. Therefore, we regard the product quality as the source of corporate vitality.

Pursuit of excellence and quality assurance

The Group strictly abides by relevant laws and regulations such as the Product Quality Law of the People's Republic of China and the Advertising Law of the People's Republic of China. Under the leadership of Chairman Mr. Zhang Jian and the management, we have formed a "non-speculative, professional, and dedicated" philosophy and a quality-focused corporate culture, and always adhere to the quality approach of "Quality First, Customers Foremost". We are committed to making higher-quality products and providing more professional services for customers in the spirit of craftsmanship.

In order to fulfill the quality commitment to our customers, we aim to lead the industry and implement the full-process quality management in strict accordance with the requirements of the contract terms and industry standards, strictly control the flow of substandard products through data-based quality control, and implement the full-process quality control with higher and more comprehensive standards. We implement strict quality control measures throughout the production process, adopt a full-process quality management system to monitor the quality of products at all stages such as the delivery of design, raw material inspection, production and product delivery, and set a target pass rate at each stage, including a pass rate for raw materials (the ratio of the quantity of conforming raw materials to the total quantity of raw materials received) and a pass rate for finished products (the ratio of the number of conforming PC units produced to the total number of PC units produced).

In order to ensure the quality of our raw materials and products, the Group has established a comprehensive quality management system. We have put in place a quality-oriented procurement and accountability-oriented procurement system in the aforementioned supply chain management, and set up a standard laboratory for prefabricated concrete in each plant to test the quality and function of raw materials and products. We also implement the supplier quality management system and assessment rules, and adhere to the supplier assessment system to eliminate problems related to supplier quality management. We have also set up a quality management department with a comprehensive quality management system and inspection standards covering quality management, quality inspection, quality abnormalities as well as the inspection standards for 25 types of major equipment to ensure the overall control and management of product quality and constantly improve our quality management system. All products are strictly inspected by the production, safety and quality control departments before leaving the factory to ensure the stable quality, safety and reliability of the products. As of the end of the Reporting Period, the Group's ten factories in Hangzhou, Hefei, Jiangsu Liyang, Hunan Lugu, Shanghai, Tianjin, Changshu, Huizhou, Lu'an and Wuhan had achieved ISO9001:2015 certification for quality management system.

Our products are not involved in recalls for safety and health reasons, and there were no product recalls for safety and health reasons during the Reporting Period. Broad Homes has been consecutively ranked first in the 2023 Research Report of Integrity Suppliers in China's Real Estate Industry Chain (Prefabricated Building Structure – PC Structure) organised by the China Real Estate Chamber of Commerce for six years.

Picture 13: Quality, environmental and occupational health and safety management system certifications obtained by the Group

Active communication and sincere service

We have established a timely and effective communication and feedback mechanism to pay attention to customers' demands and ideas from various channels and perspectives. During the reporting year, based on market research, customer feedback and internal summary of key points, we have improved the safety operating procedures in the instruction manual of each product in order to ensure the safety of our customers during the use of the product. Since November 9, 2021, we have been conducting online satisfaction survey to understand customers' comment and suggestions on the timely supply, product quality, after-sales service and timeliness of the Group, and to solve corresponding problems for customers in time. Service engineers will also be arranged to six major regional service centres to continuously follow up the projects, understand the project dynamics and ensure normal supply. Through such efforts, the Group improves equipment stability and customer satisfaction and promotes long-term stable cooperation.

After receiving customer complaints, the Company will immediately take investigation measures, actively respond and solve problems efficiently. After understanding the cause of the matter, for problems on our side, we will actively rectify, optimise the production process, adjust the scheduling plan, and ensure timely delivery. For problems not on our side, we will explain to customers in time, and assist customers to solve problems. During the Reporting Period, the Group did not receive formal complaints but received trivial feedbacks, all of which were related to delivery and had been properly resolved.

Pursuing innovation and leading the industry

We are the pioneer and leader for construction industrialisation in China. Our founders and management team have continuously focused on technical research and development and accumulated experience since entering the field of construction industrialisation in 1996. Relying on our first-class manufacturing capabilities for PC units, as well as advanced software and systems such as PC Maker and PC-CPS, we have opened up every link of the industry chain, including design, manufacturing, construction, operation and maintenance, and formed our unique advantage in technological innovation. The existing PC-CPS system of the Company, which covers the digital management pathway from the design stage to the production stage, has been extended to the construction stage and upgraded to the CPS+ system. This system digitally defines the entire process of project delivery for prefabricated buildings in a virtual space. It establishes a unified Cyber model for the entire process, including market, design, supply, production, and delivery, with seamless interaction between various disciplines. This model encompasses aspects such as materials, costs, duration and human resources. By transforming construction sites into integrated assembly factories and implementing systematized dispatching management, the system shifts construction management to production management, transforms the uncertain construction implementation process into a defined process, providing customers with end-to-end services, thus enabling the control of project schedule, quality, and costs. In addition, we possess several world-class core technologies, including, complete PC equipment research and development and manufacturing technology, fully prefabricated residential construction technology and integral underground utility tunnels composite prefabrication technology. We are committed to improving the quality of our products and services through these technologies. As at the end of the Reporting Period, the Group and its 13 subsidiaries were all national high-tech enterprises.

The Risk Control Administration Department of the Group is responsible for the management of intellectual property rights. During the Reporting Period, the Group further improved and optimised the Measures for the Administration of Intellectual Property Rights and the Regulations on the Administration of Joint Patent Applications, and separately formulated the Patent Management System, the Trademark Management System and the Copyright Management System, which were refined in terms of process specifications and work cooperation requirements. During the Reporting Period, we organized one intellectual property training, which was attended by 20 research and development employees.

As of the end of the Reporting Period, we possessed 1,403 patents (13 of which were shared with third parties), representing an increase of 104 patents (including 25 invention patents, 68 utility model patents and 11 design patents) as compared with the end of last year, and filed 275 patent applications in the PRC; and possessed 354 registered trademarks.

In order to prevent infringement in advance and set up patent protection barriers for key technologies, we have formulated the Early Warning Mechanism of Intellectual Property Rights and the Provisions on Handling Rights Protection of Intellectual Property Rights Infringement. The Risk Control Administration Department regularly collects feedback from technical personnel and market personnel, and conducts patent retrieval from time to time, so as to jointly safeguard and deal with the rights after patent application and strengthen cooperation in legal risk control.

In order to promote the development of China's construction industrialisation, the Group, while protecting its own intellectual property rights, compiled works leveraging the experience accumulated through years and shared with peers in the industry:

No.	Work
1	Key Points of Prefabricated Building Construction edited by China Construction Education Association and the Company
2	200 Cases of Common Problems and Prevention in Prefabricated Building Construction edited by China Construction Education Association and the Company
3	Technical Guide for Prefabricated Concrete Underground Utility Tunnels edited by the Company
4	Key Points of Quality Control of Prefabricated Building Supervision edited by China Construction Education Association and the Company
5	Bill of Quantities Valuation of Prefabricated Concrete Structures edited by China Construction Education Association and the Company
6	Prefabricated Construction Engineering Cases edited by China Construction Education Association and the Company
7	Report on Development of Construction Industrialisation in China edited by the Journal of the National Research Centre for Prefabricated Engineering and Technology of Civil Structures of Tongji University

We actively published academic papers in various professional journals:

No.	Paper
1	Paper of "Design and Construction of Bolted Multi-story Fully Prefabricated Concrete Wallboard Structure" published in the Journal of Construction Technology
2	Paper of "Application of Refined Management in Construction of Housing Projects" published in the Journal of Construction Practices
3	Paper of "Analysis of Factors Affecting the Management of Prefabricated Construction Projects and Countermeasures" published in the Journal of Construction Practices
4	Paper of "A Brief Discussion of Design Features and Technical Analysis of Prefabricated Concrete Buildings" published in the Journal of Prefabricated Construction of Changsha

We actively participated in government scientific research projects:

No.	Project description
1	"Research and Application Demonstration of Key Technologies of Internet + Green Construction Industrial Intelligent Manufacturing", a major science and technology project in Hunan Province in 2015
2	"Key Technology Research and Development and Smart Factory Construction of Full spectrum PC Units Flexible Intelligent Manufacturing" under Changsha Intelligent Manufacturing Three-year (2015-2018) Action Plan in 2016
3	"Prefabricated Concrete Construction Industry Patent Early Warning Analysis Research", patent early warning analysis research project of Changsha in 2016
4	"R&D and Promotion of Cloud Platform for Residential Industrialisation Industry Chain", a mobile internet project of Hunan Economic and Information Technology Commission in 2017
5	"Development, Application and Promotion of Complete Technology of Prefabricated, Laminated and Assembled Integral Underground Utility Tunnels", a major science and technology project in Changsha in 2017
6	"Research and Application Demonstration of Key Technologies of New Prefabricated Buildings", a major science and technology project in Hunan in 2017
7	"Development and Application Demonstration of Intelligent Green Engineering Machinery for New Building Construction", a major science and technology project in Hunan in 2018
8	"High-value Portfolio Cultivation Project of Key Technologies for Intelligent Manufacturing of Prefabricated Buildings" under high-value patent portfolio cultivation project of Changsha in 2018
9	"Cultivation of Intellectual Property-intensive Industries of Broad Homes" of the intellectual property strategies of Hunan in 2018
10	"Construction of Industrial Internet Cloud Platform Based on the Whole Industry Chain of Prefabricated Building", a mobile Internet industry development special fund project of Hunan in 2019
11	"R&D and Application of Industrial Cloud Platform in the Whole Industrial Chain of Prefabricated Buildings", a mobile Internet industry development special fund project of Changsha in 2019
12	"Research on Key Technologies of Bolted Multi-story Fully Prefabricated Concrete Wallboard Structure", a science and technology project of Changsha Construction Committee in 2020
13	The first batch of national pilot demonstration projects for green building construction of Hunan Provincial Department of Housing and Urban-Rural Development (Moon Island Star Camping Base and other projects) in 2021
14	"Technical Modification of Digital Flexible Production Line for the Whole Process of Prefabricated Construction", an intelligent manufacturing project of Industry and Information Technology Bureau of Changsha in 2021

Broad Homes also participated in the formulation of a number of national standards, industry standards and group standards:

No.	Standard
1	Technical Specifications for Prefabricated Concrete Structures JGJ 1-2014
2	Technical Standards for Prefabricated Concrete Buildings GB/T 51231-2016
3	Evaluation Standards for Material Conservation in Civil Buildings GB/T 34909-2018
4	Technical Management Guide for Prefabricated Concrete Building Structures T/CSPSTC 46-2020
5	Classification and Coding of Information Model of Prefabricated Concrete Structures T/CPSTC 49-2020
6	Technical Specifications for Application of Prefabricated Integrated External Thermal Insulation Wallboard T/CSPSTC 52-2020
7	Terminology of Building Components and Accessories GB/T 39531-2020
8	Technical Specifications for Monolithic Precast Concrete Utility Tunnel T-CSPSTC 71-2021
9	Technical Specifications for Construction Survey of Prefabricated Buildings T-CSPSTC 64-2021
10	Requirements for Plant Quality Assurance Ability of Precast Concrete Components T/CECS10130-2021
11	Technical Specifications for Metallic Connectors in Precast Concrete Sandwich Facade Panels T/BCMA 002-2021
12	Quality Assurance Capability Assessment Criteria for Producers of Precast Concrete Components for Prefabricated Construction T/BCMA003-2021
13	General Technical Conditions for Precast Concrete Part of Prefabricated Construction GB/T 40399-2021
14	Technical Specifications for Bolted Multi-story Fully Prefabricated Concrete Wallboard Structure T/CECS 809-2022[1]
15	Technical Specifications for Staggered Connection of Rebar in Prefabricated Concrete Structures T/CECS 1222-2022
16	Ultra-high Performance Concrete Integrated Module Construction Technical Standards T/CECS 1502-2023
17	Technical Specification for Precast Hybrid Frame Structures with Steel Joints T/CECS 1354-2023

[1] The Group also participated in the formulation of the 2021 edition of the standard, with an amendment in 2022.

Broad Homes also participated in the formulation of 19 provincial standards:

No.	Standard
1	Technical Specifications for Box-connected Multi-story Fully Prefabricated Concrete Wall－Slab Structure of Hunan Province DBJ 43/T 320-2017
2	Technical Specifications for Prefabricated Integral Buildings of Concrete Composite Floor of Hunan Province DBJ 43/T 301-2013
3	Technical Specifications for Concrete Assembly－Cast-in-Place Shear Wall Structure of Hunan Province DBJ 43/T 301-2015
4	Technical Standards for Prefabricated and Assembled Integral Concrete Underground Utility Tunnels of Hunan Province DBJ 43/T 329-2017
5	Unified Modulus Standards for Prefabricated Concrete Structure Residence of Hunan Province DBJ 43/T 331-2017
6	Code for Construction Quality Acceptance of Prefabricated Structure Engineering of Jiangsu Province DGJ32/J 184-2016
7	Design Depth and Technical Specifications of Prefabricated Concrete Shear Wall Structure Residential Buildings of Jilin Province (Trial)
8	Technical Specifications for Construction of Composite Prefabricated Concrete Underground Utility Tunnels of Xinjiang Uygur Autonomous Region XJJ093-2018
9	Prefabricated Concrete Structure Engineering Construction Quality Acceptance Procedures of Guangzhou DB4401/T 16-2019
10	Technical Standards for Application of Prefabricated Concrete Sandwich Insulation External Wallboard of Henan Province DBJ41/T212-2019
11	Technical Standards for Prefabricated Concrete Urban Underground Utility Tunnel Structure of Chongqing DBJ50/T-343-2019
12	Technical Specifications for Grouting Connection of Reinforced Sleeve of Prefabricated Concrete Structure of Zhejiang Province DB 33/T 1198-2020
13	Hunan Province Standard for Constructional Quality Acceptance of Assembled Concrete Structures DBJ43/T205-2021, a local standard of Hunan Province
14	Technical Specifications for Box Based Bolt Connection Multi-story Fully Assembled Concrete Wall-Slab Structure DB34/T3822-2021, a local standard of Anhui Province
15	Rules of Drawing for In-depth Design of Prefabricated Concrete Structures of Zhejiang Province, a collection of standard drawings
16	Technical Standard for Precast Integrated Module Building Made of Ultra-high Performance Concrete DBJ 43/T 387-2022
17	Evaluation Standards of Green Prefabricated Buildings of Hunan Province DBJ43/T332–2022[2]
18	Beijing Local Standards – Design Specification for Precast Concrete Shear Wall Structure DB11/1003-2022 (Tianjin Company)
19	Collection of Pictures of University Dormitory Products in Hunan Xiang 2023 G106-3/4

[2] The Group also participated in the formulation of the 2018 edition of the standard, with an amendment in 2022.

Actively participating in the formulation of industry standards will provide more possibilities for us to promote the technical system and maintain the leading position in the industry. Over the years, we have won many honors and awards, which are the results of the wisdom and hard work of all staff of Broad Homes and the spur that motivates Broad Homes to keep moving forward.

Overview of our awards obtained in recent years:

No.	Award/Certification
1	National Housing Industrialisation Bases (國家住宅產業化基地) granted by the MOC in 2007
2	National Comfortable Housing Demonstration Project (國家康居示範工程) granted by the MOHURD in 2012
3	Changsha Enterprise Technology Centre (長沙市企業技術中心) granted by Changsha Development and Reform Commission in 2013
4	Member of NPCA granted by NPCA (National Precast Concrete Association) in 2013
5	Top Ten Chinese Science and Technology Innovation and Good Quality Demonstration Enterprise (中國科技創新品質創優十佳示範單位) granted by the Brand Strategy Experts Working Committee of China High Technology Industrialisation Research Committee from 2013 to 2014
6	National Hundred Excellent Enterprise in Building Materials in "Restructuring, Self-enhancement and Efficiency Improvement" (全國建材行業"調結構、練內功、增效益"百家優秀企業) granted by China Building Materials Federation in 2013
7	Member of China Building Materials Federation (中國建築材料聯合會會員) granted by China Building Materials Federation (valid for five years) in 2013
8	Elite Science and Technology Award－Green Technology Excellent Products Award (精瑞科學技術獎－綠色技術產品優秀獎) granted by the Elite Science and Technology Award Committee (精瑞科學技術獎獎勵委員會) in 2013
9	Hunan Science and Technology Progress Award (湖南省科學技術進步獎) granted by People's Government of Hunan in 2015
10	Hunan Enterprise Technology Centre (湖南省企業技術中心) granted by Hunan Provincial Development and Reform Commission in 2016
11	The Third Batch of Intelligent Manufacturing Pilot Demonstration Enterprises in Changsha (長沙市第三批智慧製造試點示範企業) granted by the General Office of Changsha Municipal People's Government in 2016
12	Subcategory of International Carbon-Value Award－Ecological Practice Award (國際碳金分項獎－生態實踐獎) granted by the Organizing Committee of World Environmental Protection (Economy and Environment) Conference in 2017

No.	Award/Certification
13	Model Enterprise of Technology Innovation in Changsha (長沙市技術創新示範企業) granted by Bureau of Finance of Changsha City and Changsha Economic and Information Commission in 2017
14	Award of Product Innovation (產品創新獎) (the first batch in Hunan Province) granted by the People's Government of Hunan Province in 2017
15	Hunan Industrial Design Centre (湖南省工業設計中心) granted by Economic and Information Committee of Hunan Province in 2017
16	National Prefabricated Building Industrialisation Base (國家裝配式建築產業基地) granted by MOHURD in 2017
17	"First-Choice Brand" in Prefabricated Construction (裝配式建築"首選品牌") granted by Chinese Real Estate Association and China Real Estate Appraisal Centre in 2018
18	Pilot Demonstration Project of Intelligent Manufacturing (智慧製造試點示範項目) granted by MIIT in 2018
19	Model Enterprise of Technological Innovation in Prefabricated Building in China (中國裝配式建築科技創新典範企業) and Prize of Temple of Heaven for Prefabricated Construction in China (中國裝配式建築天壇獎) granted by China Real Estate News, China Think Tanks and China Real Estate Business Academy in 2018
20	Hunan Province Construction Industry Science and Technology Innovation Excellent Enterprise (湖南省建設行業科技創新優秀企業) jointly granted by Hunan Construction Technology and Building Energy Conservation Association and Hunan Housing Industrialisation Promotion Association in 2018
21	TOP 1 Preferred Brand Prefabricated Construction of Top 500 Chinese Real Estate Development Enterprises for five consecutive years from 2018 to 2022
22	First among Prefabricated Structure (PC structure) Category of China's TOP10 Real Estate Industry Chain Strategic Integrity Suppliers in 2019
23	Special Contribution Enterprise to China's Better Life (中國美好生活特別貢獻企業) granted by Leju Finance Research Institute in 2019
24	Leading Brand of China's Prefabricated Construction Enterprises (中國裝配式建築企業領先品牌) granted by China Real Estate News, China Real Estate Network and Zhongfang Think Tank-China Real Estate Business Academy in 2019
25	Digital Innovation Pioneer Enterprise Award (數字創新先鋒企業獎) of the Elite Habitat Award (精瑞人居獎) in 2019
26	Green Enterprise Management Award (綠色企業管理獎) granted by China Environmental News Council in 2019

No.	Award/Certification
27	Top 100 Enterprises in Hunan Manufacturing Industry (湖南製造業100強企業) certified by Hunan Provincial Federation of Enterprises and Industrial Economics in 2019
28	TOP10 Newly Listed Companies in Performance of China's Real Estate Industry (中國房地產行業新晉上市表現TOP10) granted by the Viewpoint Index Research Institute in 2020
29	Environmentally and Socially Responsible Enterprise (環境社會責任企業) granted by China Environmental News in 2020
30	China Better Life Contribution Enterprise Award (中國美好生活貢獻企業) granted by Leju Finance Research Institute in 2020
31	For Good Awards-TOP10 Annual Goodwill Enterprise (向光獎 · 年度商業向善TOP10) granted by China Social Enterprise and Impact Investing Forum in 2020
32	China's Construction Industrialisation Leading Enterprise (中國建築工業化領軍企業) granted by China Real Estate News, China Real Estate Network, Zhongfangbao New Media, Zhongfang Think Tank and Zhongfangbao Public Opinion Centre in 2020
33	TOP10 of China's Annual Capital Market Influence (中國年度資本市場影響力TOP10) granted by Viewpoint Index Research Institute in 2020
34	2020 Construction Science and Technology Innovation Model (2020年建築科技創新榜樣) granted by Hexun.com Finance China Association and Hexun.com Real Estate Department in 2020
35	Promotional catalogue certificate for standardised components and structural components for industrialised construction (including precast wall-slabs, precast stacked floor slabs, precast stacked beams, precast staircases, precast high performance concrete modules) issued by China Construction Metal Structure Magazine under the MOHURD in 2021
36	Most Socially Responsible Listed Company under the 2021 Golden Unicorn Best Hong Kong and US Listed Companies Awards by Sina Finance in 2021
37	2021 Environmentally and Socially Responsible Enterprise (2021年度環境社會責任企業) granted by China Environmental News in 2021
38	China Better Life Contribution Enterprise Award (中國美好生活貢獻企業) granted by Leju Finance Research Institute in 2021

No.	Award/Certification
39	New Stock with the Most Growth Momentum Award in the 9th Top 100 Hong Kong Listed Companies Awards (第九屆港股100強"新股最具增長動力獎") granted by Top 100 Hong Kong Listed Companies Research Center in February 2022
40	Second Prize of the Chongqing Technological Advancement Awards (重慶市科技進步獎二等獎) for the jointly developed project of Key Technologies and Engineering Applications of Overall Prefabricated Structure for Urban Integrated Pipe Corridor in July 2022
41	In December 2022, "PC Unit" was included in the Third Batch of Hunan Province Manufacturing Industry Champion Products List (《第三批湖南省製造業單項冠軍產品名單》) published by Hunan Provincial Department of Industry and Information Technology and Hunan Provincial Federation of Enterprises and Industrial Economics
42	ESG Star of the Future (ESG未來之星) at the first KPMG China Future – ESG Awards ("未來·ESG"大獎) in 2023
43	In 2023, Changsha Broad Homes Mofang Technology Co., Ltd. was included in the Ninth Batch of Intelligent Manufacturing Pilot Enterprise List in Changsha (《長沙市第九批智能製造試點企業名單》)
44	Changsha Modular Building Intelligent Construction Technology Innovation Center (長沙市模塊化建築智能建造技術創新中心) by Changsha Science and Technology Bureau in 2023
45	Hunan Provincial Integrated Building Intelligent Construction and Equipment Application Engineering and Technology Research Center (湖南省集成建築智能建造與裝備應用工程技術研究中心) by Department of Science and Technology of Hunan Province in 2023
46	Hunan Province Raw Material Industry "Three Categories" Benchmarking Enterprise (湖南省原材料工業"三品"標杆企業) by Industry and Information Technology Department of Hunan Province in 2023
47	2022 Technical Innovation Achievements of Construction Industrialization – Ultra-high Performance Concrete Integrated Modular Building Technology ("2022建築工業化技術創新成果" –超高性能混凝土集成模塊建築技術) by National Civil Structures Prefabrication and Installation Engineering Technology Research Center (Tongji) in 2023
48	2022 Technical Innovation Achievements of Construction Industrialization – Bolted Multi-story Fully Prefabricated Concrete Wallboard Structure Technology ("2022建築工業化技術創新成果" –螺栓連接多層全裝配式混凝土墻板結構技術) by National Civil Structures Prefabrication and Installation Engineering Technology Research Center (Tongji) in 2023

No.	Award/Certification
49	Hunan Province Manufacturing Improvement Project – Intelligent Factory for BOX-MODUL Series High Performance Silicone Composite Material Modular Building Products (湖南省製造強省項目《BOX-MODUL系列高性能硅基複合材料模塊化建築產品智能工廠》) by Industry and Information Technology Department of Hunan Province in 2023
50	Changsha Intelligent Construction Industry Base (長沙市智能建造 業基地) by Changsha Housing and Urban-Rural Development Bureau in 2023
51	Selected as a case of 2023 “China Construction” brand innovative practice by Construction Magazine directly under the Ministry of Housing and Urban-Rural Development in 2023
52	2023 Carbon Neutrality Exemplary Enterprise (2023碳中和典範企業) at the 2023 International Green Zero-Carbon Festival and ESG Leaders Summit in 2023
53	2023 Digital Transformation Enterprise – Outstanding Award (數碼轉型企業 – 傑出獎) at the Standard Chartered Corporate Achievement Awards in 2023
54	In 2023, the selected “Green and Low Carbon Development of Zero Carbon Yangtze River Enterprises (零碳長江企業綠色低碳發展)” documentary report was released at COP28
55	2023 Digital and Intelligent Innovation Exemplar Award (2023年度數智化創新典範獎) at the 4th International Sci-Tech Innovation Festival in 2023
56	Honored as the top 1 preferred brand in prefabricated structure (PC structure) category of “China’s Real Estate Industry Chain Strategic Integrity Suppliers” for the sixth consecutive year in 2023

Case: Container-based integrated modular building for fast delivery and easy installation

The container-based integrated module is a complete space with integrated functions after manufacturing, equipment installation and interior decoration completed in the smart factory, which meets various building performance requirements and lifting and transportation performance requirements, and can be assembled into buildings of different heights (such as low-story and multi-story) on site, to quickly meet the residential and office needs, suitable for office, residential, cultural tourism and other buildings with the advantages of green and eco-friendly, standardized and large-scale production, fast delivery, easy dismantling and installation for reuse. It is estimated that the production of each standard module (gross floor area of approximately $30m^2$) including decoration and equipment installation requires only 45 man-days and consumes approximately 400 kWh of electricity. The average installation time for each module at the installation site is only 0.4 hours, which does not require wet work and can significantly reduce construction waste, truly achieving prefabricated and green construction.

In 2023, we continued our efforts in technological breakthroughs and successfully developed the Mofang ultra-high-performance concrete, which has a strength five times higher than ordinary reinforced concrete, while being three times lighter in weight. It achieves a 70% reduction in carbon emissions and has a factory utilization rate of over 90%. Furthermore, it shortens construction time by 70% and significantly reduces material costs by 70% in a true product form, resulting in a tenfold increase in construction efficiency. With the advantages of cost reduction and higher efficiency, industrialized construction based on new materials and new processes has the potential to drive disruptive innovation in the global construction industry.

The developed modular construction incorporates the characteristics of ultra-high-performance concrete materials and the advantages of integrated modular construction. On the basis of the existing Ultra-high Performance Concrete Integrated Module Construction Technical Standards, a local engineering construction standard in Hunan Province, Broad Homes, together with Hunan University, further optimized and upgraded and released the Ultra-high Performance Concrete Integrated Module Construction Technical Standards (T/CECS 1502-2023), a standard of China Association for Engineering Construction Standardization, which has been reviewed and passed by the expert group, and will be released and implemented on May 1, 2024, creating strong foundation for the application and promotion of Mofang products. The product is mainly developed for overseas markets, and through practical application and product improvement in the domestic market, the foundation for product globalization has been laid. In addition, we also rely on this technology to establish the Changsha Modular Building Intelligent Construction Technology Innovation Center, a research and development platform recognized by Changsha Science and Technology Bureau.

Case: Optimizing the bolted multi-story fully prefabricated concrete wallboard structure to save energy and material

Multi-story fully prefabricated concrete wallboard structure requires bolted connection. We innovatively proposed new bolted connection to optimise multi-story fully prefabricated concrete wallboard structure, which improved production efficiency and cost-effectiveness, and expanded the applicable building heights (8 stories with a total building height of 27m in areas with seismic intensity of 6 degrees, 6 stories with a total building height of 21m in areas with seismic intensity of 7 degrees, and 5 stories with a total building height of 18m in areas with seismic intensity of 8 degrees), thereby making the buildings more energy-efficient and eco-friendly and saving land resources.

In addition, we also released the Technical Specification for Bolted Multi-story Fully Prefabricated Concrete Wallboard Structure, and actively promoted the application of the technology in different regions, and initiated the preparation of relevant local standards in Zhejiang Province and Guangdong Province.

Case: Fully Prefabricated Apartment Digital EPC Project in North Campus of Beijing University of Chinese Medicine Dongfang College

Broad Homes takes standardized construction of university student dormitories as the starting point, focuses on energy conservation, carbon reduction, green and safety, and uses fully prefabricated digital lean construction technology to create dormitory-type apartment products. The Fully Prefabricated Apartment Digital EPC Project in North Campus of Beijing University of Chinese Medicine Dongfang College covers a total area of 9,662.12 square meters with a construction area of 43,821.04 square meters. It is manufactured and constructed by Broad Homes Beijing Company. The project took 72 days and successfully delivered all four buildings above ground, totaling 1,086 fully furnished student apartments. The project adopts fully prefabricated integrated construction technology, applying EPC-CPS intelligent construction management and digital twin technology to achieve information-based management and control throughout the entire process, ensuring high-quality and integrated delivery with controllable costs and construction period.

Picture 14: Fully Prefabricated Apartment in North Campus of Beijing University of Chinese Medicine Dongfang College

Confidential management over customer information

Customer information is an important trade secret of the Group. Sound maintenance and confidential management over customer information is an important foundation for both parties to establish long-term trust and friendly cooperation. In addition, the Group's B-house business targets at individual consumers, which also involves the protection of personal information.

We strictly abide by the Personal Information Protection Law and other relevant laws and regulations on personal data and privacy protection. The Employee Handbook covers relevant provisions on information security management, and we have entered into a Confidentiality Agreement with employees, requiring employees to improve their professional sensitivity and earnestly fulfill their due confidentiality responsibilities. Meanwhile, we restrict the access rights of employees through information technology and access to confidential information of customers requires the approval of leaders of corresponding ranks to ensure that customer information is effectively protected.

Product incubation and experience upgrade

As a pioneer of construction industrialisation in China, Broad Homes insists on giving priority to ecological and green low-carbon development. By accumulating product and technology advantages, Broad Homes continuously increases its efforts in research and development of green and low-carbon buildings to overcome the limitations of time, space and land, and innovates materials, processes and large-scale manufacturing technologies. In 2022, B-house was awarded the "Certificate for Recommended Products of Green & Energy-Saving" by China Association for Engineering Construction Standardisation. In 2021, it developed reusable and moveable modular units, created refined, customised and differentiated products through iteration, and meticulously created the "BOX Modul" product series, which has greatly enhanced the space utilisation efficiency.

The Group's product design takes full consideration of material performance, modular structure and high efficiency of production to solve the problems of long construction period, high cost and low quality of traditional products, effectively saving money and time. The main features of the product are as follows:

- Excellent heat insulation performance: using high-tech silica-based composite materials with material strength over 5 times higher than ordinary concrete and high fire-resistance rating, wall-slabs are constructed with hollow structure which is filled with lightweight insulation boards;

- Reliable waterproof design: a combination of structural and material waterproofing to prevent leakage, with safe and green materials and processes that meet the requirements of relevant national regulations;

- Modular design: enabling easy mould sizing and selection of lifting equipment for factories and optimising industrial production efficiency through high-precision standardisation and integration.

In 2023, the Group made significant breakthroughs in the research and development of the Broad Homes Mofang product materials with progress in features of lightweight and high strength, high fluidity, high fillability, high toughness, and low shrinkage. We utilized low-carbon and high-activity materials such as recycled particles from construction solid waste, fly ash, and finely ground slag to prepare green, environmentally friendly, and low-carbon ultra-high-performance concrete. We also developed new green building materials to promote the progress of zero-carbon construction. Currently, the mass-produced products have stable quality, and the material cost is 70% to 75% of similar products available in the market.

Picture 15: Broad Homes station used as a customer reception center

The Group strives to become a product company based on a digital supply chain by continuously redefining the future living space and expanding to the new sector of intelligent products. In the intelligent production and installation process of Mofang products, the uncertain building construction process is determined by applying digital twin technology to digitally define the elements in each industry chain and bridge the whole process of design, production, logistics, construction, operation and maintenance. In addition, based on Internet of Things in the construction industry, the data-driven approach is used to guide the operation and implementation in the real world, facilitate the accurate projection of physical and digital dimensions, and achieve flexible manufacturing on on-demand basis, thereby significantly enhancing operational efficiency.

We have conducted thorough research and analysis on various modes of transport, lifting equipment and road conditions in China and abroad, and have introduced a variety of Mofang products for different scenarios, enable the customers to take creative initiative and offer flexible combinations to adapt to multiple application scenarios including cultural tourism spaces, office spaces, commercial spaces and research spaces. In 2023, we delivered Mofang projects in 22 provinces (municipalities), establishing a positive reputation among customers.

Case: Fully Prefabricated Apartment Digital EPC Project under the Yili Digital Intelligent Manufacturing Food Processing Demonstration Project in Huanggang, Hubei Province

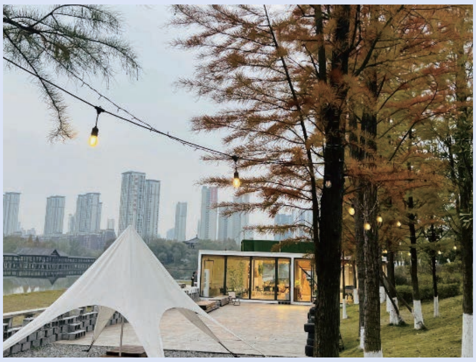
Yili dormitory building fully prefabricated apartment digital EPC project adopts the fully prefabricated digital lean construction technology under the EPC construction model of Broad Homes to realize integrated delivery, focusing on the occupational and residential needs of workers in the industry and serving the high-quality development of enterprises in the park. The project introduces and implements the CPS+ digital and intelligent construction management system independently developed by Broad Homes to enable the whole life cycle and full-process information-based project control, eliminates the discrepancies in real time by strictly comparing with the digital factory Cyber model, and integrates the lean construction concepts of construction safety, quality enhancement, green and low-carbon operation, cost reduction and efficiency enhancement into the whole process, thereby rapidly providing services to solve the multi-level residential needs of the talents of the enterprises in the park.

Broad Homes continues to improve and upgrade its independently developed CPS+ digital and intelligent management platform, actively promoting the transformation of research achievements in the field of digital construction. The existing system's PC-CPS intelligent manufacturing model, which covers the digital management process from the design stage to the production stage, has been extended to the construction stage by introducing the EPC-CPS intelligent construction model, thus providing a comprehensive solution to meet the upgraded multi-level residential needs.

Picture 16: Yili's first green fully prefabricated digital construction project

Case: Mofang Campground – Jiuhua Lake Park

In 2023, Broad Homes Mofang actively ventured into the luxury camping field and established the first modern Chinese-style campground in Xiangtan, Hunan Province, specifically in Jiuhua Lake Park, located in the Chinese Virtue and Culture Promotion Base. Combining the unique traditional Chinese architecture of green bricks and tiles, the beautiful outdoor scenery, and the picturesque clear lake, Broad Homes Mofang, through a cooperative model of light assets and rapid development, provides the public with high-quality outdoor recreational activities including business conferences, exhibitions, educational exploration, and corporate team building, aiming to enhance the scenic area's quality, empower its development, and serve as a shining example for others to follow.



Picture 17: Broad Homes campground in Jiuhua Lake Park

Diverse collaboration to achieve win-win outcomes

Broad Homes actively participates in industry collaborations, promotes industry connectivity and experience sharing, and proactively engages with peer companies to discuss industrial development and technological innovation, aiming to achieve synergy, mutual benefits, and win-win outcomes. The Company maintains strategic partnerships with well-known educational institutions and enterprises in the industry, conducts collaborative work such as strategic cooperation, experimental analysis, expert consultations, and practical engineering projects to validate our technologies, ensuring that our technologies reach an advanced level domestically and continuously optimize and improve our technical system, in order to innovate in connection methods, production processes and structural systems, and promote the research and development of intelligent equipment and digital systems in the construction industry. We also collaborate with directly operated or joint companies across the country to promote and apply our technologies and make continuous optimization and improvement to maintain a leading position in the industry in terms of research and development capabilities.

Case: Broad Homes and China Communications Construction signed strategic cooperation agreement

China Communications Construction and Broad Homes Group have signed a strategic cooperation agreement. The two parties will closely collaborate in areas such as digital and intelligent construction, product research and development, achievement transformation, and market expansion, aiming to empower the industry with digital and intelligent operation and promote the comprehensive digital upgrade of the entire industry chain in prefabricated construction sector. The signing of this strategic cooperation agreement focuses on green development and integration and expansion of their respective advantageous resources. Industrial digitalization is the most crucial element for future industry competition. Relying on their respective resource endowments, the two parties will cooperate in good faith to take the digital and intelligent upgrading of prefabricated construction as the driving force, vigorously develop the intelligent construction industry system that integrates the whole industrial chain, effectively contribute to quality improvement, cost reduction and efficiency enhancement of the industry, and strengthen the application of digital technology, thereby injecting new momentum into the construction industry's comprehensive digital and intelligent transformation.

Picture 18: Signing ceremony of the strategic cooperation agreement between Broad Homes and China Communications Construction

Case: Alibaba Shanghai Jinshan Feitian Park Project, Huawei Shanghai Qingpu R&D Production Project (Cluster A, Cluster B)

Broad Homes promotes green development through green construction and strives to create a new model of "green park" with better quality and faster speed. Broad Homes provides prefabricated building design consultation and detailed PC design services for the Alibaba Shanghai Jinshan Feitian Park Project. The project, led by Alibaba Group, aims to develop and construct an internationally leading and domestically first-class cloud data computing center based on the data center model.

Broad Homes provides PC units and industrialization technology support services for the Huawei Shanghai Qingpu R&D Production Project (Cluster A, Cluster B). The project aims to build a composite industrial community integrating office operation, R&D pilot test, technology incubation, production services, and supporting residential areas, and nurture a distinctive center of innovation, vitality, complete facilities, and harmonious industrial and urban development in the eastern part of the demonstration area. The project focuses on showcasing technology research and development, smart cities, and eco-friendly living, and plays a leading role in the construction of regional innovation chains, industrial chains, and value chains on a larger scale.

Picture 19: Alibaba Shanghai Jinshan Feitian Park Project

Picture 20: Huawei Shanghai Qingpu R&D Production Project

5.7 Combat against Corruption

Promoting integrity and continually ringing the alarm

Improper acts in commercial activities, such as embezzlement, bribery, sacrificing the interests of the enterprise, violating the principle of fair trade, and damaging the reputation of the enterprise, will seriously disrupt the normal management order of the enterprise and hinder the sustainable and healthy development of the Group. Therefore, the Group firmly opposes and expressly prohibits these improper acts.

To facilitate the continuous improvement of long-term anti-corruption mechanism, according to the Anti-Unfair Competition Law and based on the actual situation of the Company, the Groups has formulated the Group Risk Management System, the Group Compliance Supervision System and the Group Internal Audit System, which are implemented with the attitude of "no place out of bounds, no ground left unturned, and no tolerance shown". We insist on the combination of macro planning and the actual situation of the enterprise, the combination of addressing the symptoms and the root cause, the combination of near-term goals and long-term goals, and the combination of inheritance and innovation, so as to strengthen the Group's internal integrity and democratic supervision mechanism, and further enhance the standardised and systematic anti-corruption works of the Group.

Regarding the procurement process prone to corruption, the Group has also formulated corresponding anti-corruption regulations with focus on key positions, process and projects, aiming at strengthening the anti-corruption efforts in a multi-party and all-round way. We expressly prohibit bribery and bribe-taking in procurement contracts, restrict bribery with laws and regulations, effectively use the "Disciplinary Inspection Proposal" and "Corruption Prevention Proposal" to carry out prevention and early warning, continuously improve the corresponding reporting and supervision mechanism, and urge the procurement department to strengthen the supervision of daily operation and the identification and control of integrity risks of relevant positions, so as to form an effective mechanism for early detection, early warning and early prevention.

Open, transparent and uninterrupted channel of supervision

In order to ensure a smooth channel of supervision by the staff and external third parties, the Group has formulated the Measures for Receiving and Handling Complaints and Whistleblowing Cases, set up a department for handling complaints and whistleblowing cases, and disclosed the contact information for compliant and whistleblowing as follows:

- Tel: 0731-8977 5722
- E-mail: report@bhome.com.cn
- Address: No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC

We handle complaints and whistleblowing in accordance with the "acceptance, preliminary investigation, filing, investigation, processing, and objection" procedure and coordinates with various departments at different levels to further integrate supervisory forces, strengthen supervisory responsibilities and improve the supervisory effectiveness. In order to reduce the concern of the whistleblower, we establish a clear protection system for whistleblowers, strictly prohibit the disclosure of identity of the complainant or whistleblower or content of the complaint or whistleblowing cases to the entity or individual subject to complaints or whistleblowing, and any non-compliance will be seriously held accountable.

During the Reporting Period, the Group did not receive any complaints or reports related to anti-corruption.

Prevention through training and publicity

In order to continuously strengthen the deterrent effect of "not daring to commit corruption", the Group carried out "warning case study" and adhere to the strategy of "detailed analysis, rectification and warning study for each case". In order to raise the anti-corruption awareness of the Group's employees, the Group expressly stipulates in the Code of Conduct section of the Employee Handbook that "abuse of the Company's resources for personal gains, embezzlement and corruption" are bad acts that the Group has zero tolerance for, and employees who commit such acts will have their labor contracts directly terminated. The Group also regularly educates directors, senior management and employees about professional ethics to warn them against corruption, takes multiple measures to eradicate the root cause by addressing existing problems, and strengthens the anti-corruption awareness, so as to nib improper acts in the bud. For independent directors, the Group provides learning materials to raise anti-corruption awareness.

During the Reporting Period, the Group held eight anti-corruption training sessions with a total of over 6,000 participants and an average of 2 hours of training time.

During the Reporting Period, the Group did not find any improper business practices such as corruption, bribery, extortion, fraud, and money laundering.

5.8 Community Investment

Broad Homes continuously explores green and low-carbon construction technologies, effectively promotes the integrated delivery of construction products, focuses on PC prefabricated integral products, fully prefabricated integrated construction products and modular construction products, firmly supports the high-quality development of urban and rural construction, and contributes to a better life for the general public. Be it rural revitalisation or urban renewal, our business is closely related to better community, and this motivates us to prioritise community engagement.

Giving back to the society with our strength

We pursue sustainable development with equal emphasis on economic and social benefits, keep closely monitoring the external environment, and identify the needs of the country, the demands of the market and the pursuits of the public.

Case: "Sunset Dan'er" Rest Stop Project

The "Sunset Dan'er" Rest Stop project integrates "coastal leisure tourism, ecological wetland knowledge education, and clamming experience", making it an important rest stop on Hainan's "Pearl Necklace" island ring tourism highway. "Sunset Dan'er" is a new Mofang building product utilizing new materials, new processes, and new technologies. It employs ultra-high-performance concrete (UHPC), with its new material indicators generally superior to ordinary buildings. It is lightweight, high-strength, environmentally friendly, and energy-efficient, and provides visitors and staff with high-quality resting spaces and comfortable living experiences with better sound proof performance, insulation and energy efficiency as well as resistance to mold, moisture, wind, and earthquakes. Its rapid and efficient delivery effectively supports the goal of opening by the end of the year for the "Sunset Dan'er" project, while also protecting Hainan's ecological environment through more environmentally friendly delivery methods.

Picture 21: "Sunset Dan'er" Rest Stop project

Devoting ourselves to the public good and giving back to society

In November 2016, the Group officially joined the Society of Entrepreneurs and Ecology (SEE) to lend our support to SEE's activities for the public good which root in the development of environmental protection public welfare industry and focus on the three fields of desertification control, climate and commercial sustainability, ecological protection and nature education. At present, the office of the SEE Xiaoxiang Center is located within the headquarters of Broad Homes with Ms. Tang Fen, our executive director, serving as the chairman of work committee of the SEE Xiaoxiang Center.

Picture 22: the office of the SEE Xiaoxiang Center in the headquarters of Broad Homes

Starting from 2019, with the encouragement from Ms. Tang Fen, our executive director, many of our employees became volunteers and visited the SEE. Through experiential activities for the public good, we called on more employees to pay attention to environmental activities for the public good. During the annual campaign of the Tencent "99 Public Welfare Day", the Group's employees in different places raised funds through online and offline promotion, and encouraged fellow employees to support the environmental projects of the SEE such as "Walk for Strong Grass", "Keep the Smile of the Yangtze River" and "Walk with the Wind".

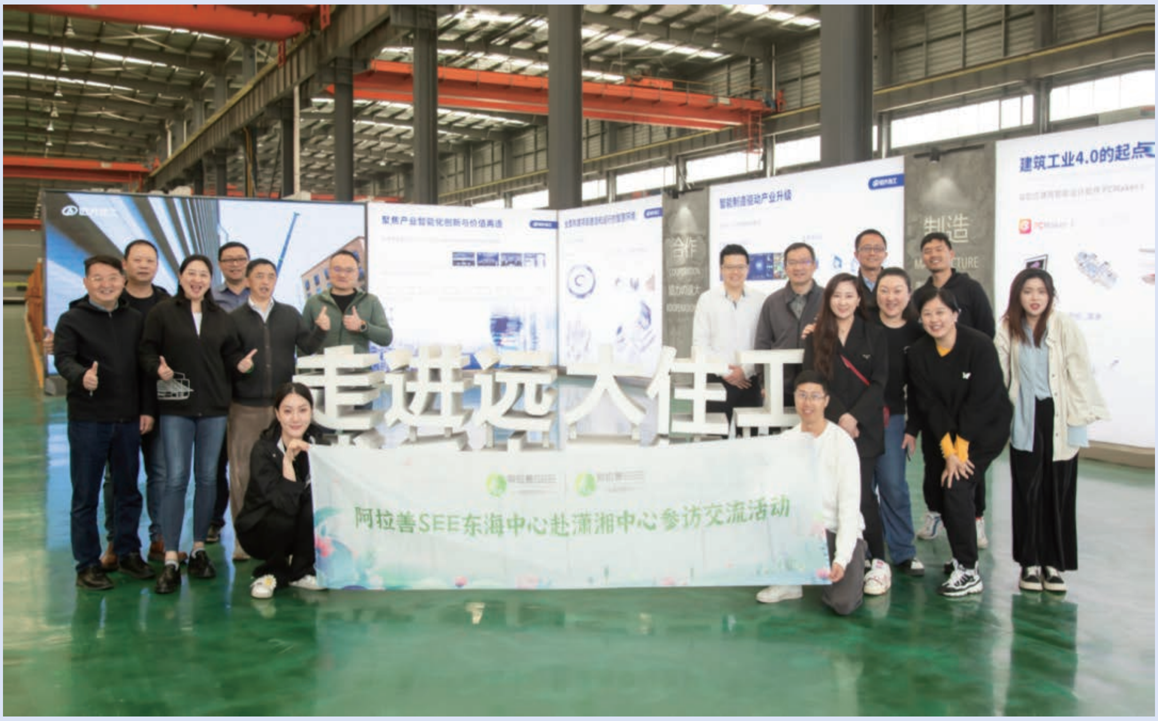
Case: Protecting biodiversity by launching the project of "Safeguarding the Elaphure"

In April 2023, at the SEE 2023 South Joint Annual Conference under the theme of "Staying True to the Original Intention and Making Achievements with Persistence", Ms. Tang Fen, an executive Director, shared the project of "Safeguarding the Elaphure" to protect the biodiversity of the East Dongting Lake. This project focuses on the conservation of biodiversity around East Dongting Lake, with the flagship species being the elaphure. By conducting scientific patrols and monitoring of the elaphures in the Dongting Lake area, the project provides scientific data for habitat protection and species restoration, setting an example for public participation in wildlife conservation. It strengthens the protection of the wild elaphures in East Dongting Lake area and provides a platform for social involvement in elaphure conservation, thus promoting greater public awareness of wildlife conservation efforts.

Picture 23: Ms. Tang Fen, our director, at the SEE 2023 South Joint Annual Conference

Case: Discussion on public welfare through exchanges between Shanghai and Hunan

In April 2023, the SEE East China Center visited the Xiaoxiang Center for study and exchange. Ms. Tang Fen, our executive Director, introduced the basic information of the Xiaoxiang Center and raised concerns and ideas regarding membership development, local institutions, and project construction during the discussion session. After the exchange meeting, the visiting delegation from the East China Center visited the Broad Homes prefabricated construction plant, Broad Homes modular apartment, Modou, the fully prefabricated Mo π apartment, and Broad House products to gain a deeper understanding of how the construction industry achieves “building houses like manufacturing cars, and purchasing houses like buying cars” with high quality, fast speed, and environmental friendliness through the support of industrialization and digital operation, and experienced the surging power of intelligent manufacturing in China.



Picture 24: Ms. Tang Fen led the members of the SEE East China Center to visit the Broad Home plant

During the Reporting Period, the Group invested RMB100,000 in public welfare to support the donation activity in Alxa.


感谢信

长沙远大住工集团党支部工会团队：

感谢贵单位团队参访晨光职业培训基地，探望、陪伴彩虹中心的残疾青年，并捐赠缝纫机和各类食品等生活物资。

传递关爱，奉献爱心，贵团队的善行不仅为机构的青年人带来爱、希望和机会，改变着他们的生命；也必将搭建起企业支持公益慈善事业的桥梁，让更多需要帮助的人获益。

长沙市彩虹残疾人士服务中心
2023年8月30日

Picture 25: The trade union team of the Party branch organized the staff of Broad Homes to participate in charitable donations in the community where the headquarter is located

Facilitating rural revitalisation by providing high-quality housing

With the rapid urbanisation in China, rural revitalisation has become an important task facing enterprises when they undertake their social responsibilities, leading to increasing demand for improvement of relevant ancillary facilities and flexible and diverse means of land supply, where prefabricated construction can make important contribution. From cities to rural areas, Broad Homes follows the policies related to people's livelihood and pursues green, innovative and high-quality development.

The B-house series significantly enhance the construction efficiency by using multi-story fully prefabricated and integrated building products, which can be delivered with interior finish in 100 days, enabling full delivery of multi-story estate in six months. B-house products have been widely applied in various cities, counties and townships at different levels, which effectively improve the living quality of rural areas and facilitate the construction of livable villages. Furthermore, as a ready-for-use product that can be built within several hours, the BOX Modul solves many problems such as outdated products, poor environment and inadequate supporting facilities for the industrial development of rural areas, and greatly releases the value of rural land.

Case: Green Rural Housing Project Developed with Broad Homes Fully Prefabricated System

Broad Homes focuses on rural revitalization and promotes the construction of green rural housing. As a fully prefabricated green rural housing product under Broad Homes, Broad House continuously improves rural housing construction technologies and processes. With the use of prefabricated digital construction technology, it enhances efficiency and quality, addressing key issues in rural housing construction such as scattered and extensive construction, lack of regulation, and ecological damage. It transforms complex and diverse rural housing into simplified, standardized, industrialized, and replicable green building products. By delivering more houses with "longevity, good performance, and green low-carbon features", it promotes a healthy and sustainable development of the rural housing market, advancing the upgrade of rural living quality.

Furthermore, Broad House pioneers the live streaming of content related to fully prefabricated green rural housing in China. Through authentic and credible construction scenes, it disseminates knowledge about prefabricated construction, guiding the development of self-built rural housing towards "green, prefabricated, information-based, product-oriented and industrialized" approaches.

Picture 26: Delivery of Shengshi Huating, a modern Chinese style product of Broad Homes Mofang

Facilitating integrated development through overseas expansion

Facing new situations and opportunities both domestically and internationally, Broad Homes Mofang actively transforms its mindset, business practices, and management approaches. It focuses on the overseas market, expanding the scale of operations in international markets through the export of modular construction products with shorter construction period and faster turnover. It actively explores various business models, deeply participates in urbanization construction, strengthens systematic control, unleashes productivity, drives revenue growth, and enhances the efficiency and effectiveness of international operations. Broad Homes' modular building products adopt high-tech composite materials, are ready-to-use upon completion, lightweight, highly durable, suitable for sea transportation, safe, energy-efficient, and environmentally friendly. With all these features, we can quickly respond to the complex challenges of overseas projects, thereby promoting the global export of Chinese construction products and contributing to the integrated development of the global construction industry.

In the new era, Chinese construction has become an important component of the country's image, and Broad Homes will continue to explore opportunities for "going global". Since the establishment of Broad Homes' overseas business, it has attracted visits from leaders of various countries, including Malawi, Madagascar and Nigeria. It has deepened cooperation with countries such as the United States, New Zealand and Turkey to initiate a new journey for China's prefabricated construction to go abroad, bringing significant development opportunities for the export of green construction technologies, equipment and facilities and driving disruptive innovation in the global construction industry.

In 2023, the Group achieved significant breakthroughs in its overseas business. As of the end of 2023, it had received over 300 batches of overseas clients. The Mofang projects in Los Angeles, the United States, and Saudi Arabia have been successfully installed and completed. The high cost-performance ratio of Broad Homes' products has gained unanimous recognition from overseas clients, and many of them have expressed a strong intention to make large-scale purchases of Broad Homes products, fully demonstrating the strong competitiveness of and significant demand for Mofang products in the overseas market.

Case: Strong collaboration driving the construction of a new city in the Bay Area of California

Broad Homes Mofang and Baylands, a company based in the United States, have formed partnership to provide mutual support and trust. Broad Homes Mofang will supply Baylands with 1,700 apartments in San Francisco, California, and 1,200 single-family homes in Brisbane, California. Baylands is dedicated to creating the largest zero-carbon community in the United States, fostering a sustainable, friendly, clean, and intimate environment. The Bay Area New City project boasts convenient transportation, over 700 acres of developable land and an investment of over US$12 billion, and the construction projects include residential areas, commercial zones, biotech office parks, hotels and office buildings.

Through the implementation of this cooperative project, Broad Homes Mofang will fully leverage the advantages of China's prefabricated construction industry chain. It will continue to explore opportunities for "going global" and extend its reach into specialization and high-end value chains by exporting green, high-quality building products and providing technical services.

Picture 27: Signing a memorandum of understanding with Baylands; Broad Homes Mofang products exported to California

Case: Collaborative efforts driving post-earthquake reconstruction in Turkey

The strong earthquake in Turkey in 2023 resulted in the collapse of over 200,000 buildings and the displacement of millions of people. The post-earthquake reconstruction efforts require the construction or rebuilding of nearly 130,000 residential buildings and other structures, with the intention of incorporating international green standards to create energy-efficient housing in the affected areas. Broad Homes Mofang has formed a deep partnership with CLK Company, responsible for the output of fully prefabricated technology and production management systems. Broad Homes Mofang's extensive experience and advanced technology align well with Turkey's current demand for rapid construction, ready-to-use structures, and flexible combinations, contributing Chinese expertise to the post-earthquake reconstruction in Turkey.

Broad Homes Mofang actively participates in promoting post-earthquake reconstruction and the renovation of old buildings in Turkey, creating safe and comfortable homes for the affected residents. This not only signifies international recognition of industrial design and innovation of China's construction industry and manufacturing capabilities of China, but also marks a new milestone in Broad Homes' ongoing exploration of "going global".

Picture 28: Signing ceremony; investment reception at the 100 th anniversary of the founding of the Republic of Turkey

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B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1	118-122
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Environmental, Social and Governance Reporting Guide		Chapter	Page
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B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2	123-124
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B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	5.5	134-137
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B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.5	136-137
Aspect B6: Product Responsibility			
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.6	137
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		138
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B6.4	Description of quality assurance process and recall procedures.	5.6	136-138
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.6	152

Environmental, Social and Governance Reporting Guide		Chapter	Page
Aspect B7: Anti-corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.7	157-159
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.7	159
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6.7	158
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Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.,	5.8	159-165
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Independent Auditor's Report

Independent auditor's report to the shareholders of
Changsha Broad Homes Industrial Group Co., Ltd.
(Incorporated in the People's Republic of China)

OPINION

We have audited the consolidated financial statements of Changsha Broad Homes Industrial Group Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 184 to 281, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 214 to 215.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue is principally derived from the sales of prefabricated concrete unit ("PC Unit") and prefabricated concrete equipment ("PC Equipment"), which contributed more than 93.2% of the Group's revenue for the year ended 31 December 2023. Revenue is recognised when: (1) for PC Unit, the Group satisfies the performance obligation by transferring the control over PC Unit products to the customer, which is the point of time when the Group delivers the products to the designated place and the customer accepts the products and signs on the goods delivery note in accordance with terms and conditions as set out in the contract with the customer;	Our audit procedures to assess the revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition of PC Unit and PC Equipment; • inspecting key customer contracts, on a sample basis, to identify performance obligations and terms and conditions relating to goods acceptance and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • for revenue of PC Unit, comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales orders, goods delivery notes signed by customers, invoices and transportation settlement forms to assess whether the related revenue was recognised in the appropriate accounting period;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition	
Refer to note 4 to the consolidated financial statements and the accounting policies on pages 214 to 215.	
The Key Audit Matter	**How the matter was addressed in our audit**
(2) for PC Equipment, the Group satisfies the performance obligation by transferring the control over PC Equipment products to the customer, which is the point of time when the Group delivers the products to the designated place, installs the products and provides the initial operator training in accordance with the terms and conditions as set out in the contract with the customer. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to recognise revenue in the incorrect accounting period, either earlier or later, to meet its performance expectations or targets.	• for revenue of PC Equipment, comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales orders, equipment installation and acceptance notes, invoices and training completion reports to assess whether the related revenue was recognised in the appropriate accounting period; • obtaining external confirmations, on a sample basis, directly from customers to confirm the trade debtor balances at the year end and transactions recorded during the year; • comparing, on a sample basis, specific revenue transactions recorded before and after the year end date with the underlying transportation settlement forms and goods delivery notes signed by the customers to assess whether the related revenue had been recognised in the appropriate accounting period; • identifying significant sales returns, inspecting the relevant documents in relation to the sales returns, including sales return agreements, sales return invoices and relevant goods receipt notes, on a sample basis, and assessing whether these sales returns are recorded in the appropriate accounting period; • inspecting underlying documents, on a sample basis, for journal entries in relation to recognition of revenue of PC Unit and PC Equipment which met specific risk-based criteria; • performing background check on major customers, on a sample basis, and assessing any transactions with related parties that were not identified by management; and • assessing whether the disclosures of revenue in the financial statements meet the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Capitalisation of development expenditures</th></tr>
<tr><td colspan="2">Refer to note 13 to the consolidated financial statements and the accounting policies on page 199.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group's expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads.

We identified capitalisation of development expenditures as a key audit matter because significant management judgement is involved in the determination of whether the Group meets the capitalisation criteria and the amount that can be capitalised with reference to the Group's technical and commercial feasibility of product or technique developed.</td><td>Our audit procedures to assess capitalisation of development expenditures included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to capitalisation of development expenditures including the approval of establishment of and budget of the project, assessment of capitalisation of development expenditure and the final acceptance of the project;

• assessing the Group's accounting policies in relation to capitalisation of development expenditures with reference to the requirements of the prevailing accounting standards;

• inquiring research and development employees, on a sample basis, to obtain an understanding of technical and commercial feasibility of the product or technique developed; and to understand if any project was suspended;

• inspecting the technical and commercial feasibility analysis on a sample basis, and assessing whether the analysis was appropriately prepared;

• on a sample basis, inspecting the supporting documents of capitalised development expenditures, including reports of staff salaries on development activities, material pick-up notes and expense reimbursement forms to assess the accuracy of capitalised development expenditures; and

• assessing whether the disclosures of development expenditures in the financial statements meet the requirements of the prevailing accounting standards.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Expected credit loss allowance for trade debtors</th></tr>
<tr><td colspan="2">Refer to notes 21 and 30(a) to the consolidated financial statements and the accounting policies on pages 202 to 205.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, the Group's trade debtors totalled RMB2,652 million, against which loss allowance of RMB273 million for expected credit losses was recorded.

Management measures loss allowance at an amount equal to lifetime expected credit loss, which takes into account loss given default, probability of default, and forward-looking information. According to the past experience of the Group, the credit loss patterns of different customer groups are significantly different. The Group clusters customers into customer groups based on a number of factors and the Group estimates loss allowance for trade debtors for each of the customer groups with similar loss patterns.

We identified the loss allowance for trade debtors as a key audit matter because trade debtors and loss allowance are material to the Group's financial statements and because the recognition of expected credit loss is inherently subjective and requires significant management judgement.</td><td>Our audit procedures to assess the expected credit loss allowance for trade debtors included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of customer groups for trade debtors and customer credit risk assessment, estimate of expected credit loss and making of related loss allowance;

• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;

• obtaining an understanding of the key data and assumptions adopted by the management in the expected credit loss model, including the basis of segmentation of the trade debtors based on customer credit risk characteristics, aging of trade debtors, historical default data, and the assumptions involved in management's estimated loss rates;

• assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of category of customer groups and aging of debtors by comparing a sample of individual items with the related goods delivery notes, and obtaining historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

• recalculating the loss allowance, on a sample basis, to assess if this is consistent with the Group's policies.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Valuation of financial assets measured at fair value through profit or loss (FVPL)</th></tr>
<tr><td colspan="2">Refer to note 30(e) to the consolidated financial statements and the accounting policies on pages 196 to 197.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2023, the Group's financial assets measured at FVPL represented its unlisted equity investments in Joint Factories as disclosed in note 18 with the aggregate carrying value of RMB1,426 million, which were classified under the fair value hierarchy as level 3.

The valuation of the Group's financial assets measured at FVPL is based on valuation models which often require a considerable number of inputs.

Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVPL, estimates need to be developed which could involve significant management judgement.

The fair value of the Group's financial assets measured at FVPL at 31 December 2023 was assessed by the directors primarily based on valuation reports prepared by a firm of qualified external valuers.

We identified assessing the fair value of financial assets measured at FVPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the valuation of financial assets measured at FVPL included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to valuation of financial assets;

• obtaining and inspecting the valuation reports prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVPL were based;

• assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity;

• with the assistance of our internal valuation specialists, discussing with the external valuers, and assessing their valuation methodologies adopted in deriving the fair values of unlisted equity investments; assessing the key assumptions, including Price/Invested Capital ratio ("P/IC ratio") of comparable transactions, Price/Earnings ratio ("P/E ratio"), Enterprise value/Sales ("EV/S" ratio) of comparable companies and revenue growth rate, and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and

• assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse, Wong Pui.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	**2,201,110**	2,232,285
Cost of sales		**(1,665,287)**	(1,858,960)
Gross profit		**535,823**	373,325
Net valuation (losses)/gains on investment properties	11	**(22,817)**	21,807
Other net income	5	**26,903**	33,254
Selling and distribution expenses		**(249,093)**	(287,065)
General and administrative expenses		**(268,425)**	(256,375)
Research and development expenses		**(103,718)**	(126,467)
Impairment loss on trade and other receivables and contract assets	6(c)	**(4,215)**	(75,802)
Loss from operations		**(85,542)**	(317,323)
Finance costs	6(a)	**(120,123)**	(109,150)
Fair value changes on financial assets at fair value through profit or loss	30(e)(ii)	**(74,038)**	(365,341)
Share of profits less losses of associates	17	**(77,987)**	(43,207)
Gains on disposal of subsidiaries		**–**	2,146
Losses on disposal of financial assets at fair value through profit or loss		**(51,354)**	–
Loss before taxation	6	**(409,044)**	(832,875)
Income tax	7	**17,605**	23,804
Loss for the year		**(391,439)**	(809,071)
Total comprehensive income for the year		**(391,439)**	(809,071)
Attributable to:			
Equity shareholders of the Company		**(389,125)**	(808,110)
Non-controlling interests		**(2,314)**	(961)
Loss per share (RMB)			
Basic and diluted (RMB)	10	**(0.81)**	(1.68)

The notes on pages 190 to 281 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties	11	**199,257**	224,536
Property, plant and equipment	12	**2,299,968**	2,421,818
Intangible assets	13	**341,327**	327,902
Right-of-use assets	14	**573,540**	598,253
Goodwill	15	**7,799**	7,799
Interest in associates	17	**302,548**	380,385
Financial assets at fair value through profit or loss	18	**1,426,060**	1,620,395
Restricted and pledged bank deposits	22	**–**	5,000
Deferred tax assets	28(b)	**96,008**	82,824
Total non-current assets		**5,246,507**	5,668,912
Current assets			
Contract assets	19	**208**	2,233
Inventories	20	**235,680**	264,251
Trade and other receivables	21	**2,628,370**	2,790,744
Restricted and pledged bank deposits	22	**192,407**	307,914
Cash and cash equivalents	23	**378,415**	359,003
		3,435,080	3,724,145
Assets classified as held for sale	11	**–**	30,349
Total current assets		**3,435,080**	3,754,494
Total assets		**8,681,587**	9,423,406
Current liabilities			
Short-term borrowings	24(a)	**2,652,389**	2,611,283
Trade and other payables	25	**1,506,739**	2,118,759
Contract liabilities	19(b)	**132,823**	183,052
Lease liabilities	26	**56,319**	40,623
Deferred income	27	**5,338**	5,568
Current taxation	28(a)	**99**	2,618
Total current liabilities		**4,353,707**	4,961,903
Net current liabilities		**(918,627)**	(1,207,409)
Total assets less current liabilities		**4,327,880**	4,461,503

The notes on pages 190 to 281 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Long-term borrowings	24(b)	**914,200**	845,529
Lease liabilities	26	**143,474**	142,715
Deferred income	27	**68,989**	74,327
Deferred tax liabilities	28(b)	**15,739**	28,633
Total non-current liabilities		**1,142,402**	1,091,204
NET ASSETS		**3,185,478**	3,370,299
CAPITAL AND RESERVES	29		
Share capital		**487,639**	487,639
Reserves		**2,398,106**	2,791,235
Total equity attributable to equity shareholders of the Company		**2,885,745**	3,278,874
Non-controlling interests		**299,733**	91,425
TOTAL EQUITY		**3,185,478**	3,370,299

Approved and authorised for issue by the board of directors on 28 March 2024.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 190 to 281 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share capital (note 29(b)) RMB'000	Treasury shares (note 29(b)(ii)) RMB'000	Capital reserve (note 29(c)(i)) RMB'000	Statutory surplus reserve (note 29(c)(ii)) RMB'000	Fair value reserve (non-recycling) (note 29(c)(iii)) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 2022										
Loss for the year		–	–	–	–	–	(808,110)	(808,110)	(961)	(809,071)
Other comprehensive income		–	–	–	–	145	(145)	–	–	–
Total comprehensive income		–	–	–	–	145	(808,255)	(808,110)	(961)	(809,071)
Appropriation for surplus reserve	29(c)(ii)	–	–	–	–	–	–	–	–	–
Treasury shares	29(b)(ii)	–	(63,559)	–	–	–	–	(63,559)	–	(63,559)
Balance at 31 December 2022 and 1 January 2023		487,639	(84,085)	2,304,603	147,819	(4,493)	427,391	3,278,874	91,425	3,370,299
Changes in equity for 2023										
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(389,125)**	**(389,125)**	**(2,314)**	**(391,439)**
Other comprehensive income		**-**	**-**	**-**	**-**	**3,839**	**(3,839)**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**-**	**-**	**3,839**	**(392,964)**	**(389,125)**	**(2,314)**	**(391,439)**
Appropriation for surplus reserve	29(c)(ii)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Capital contribution from non-controlling interests		**-**	**-**	**(8,981)**	**-**	**-**	**-**	**(8,981)**	**210,622**	**201,641**
Equity settled share-based transactions	29(b)(ii)	**-**	**-**	**4,977**	**-**	**-**	**-**	**4,977**	**-**	**4,977**
Grant of restricted shares		**-**	**21,459**	**(21,459)**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2023		**487,639**	**(62,626)**	**2,279,140**	**147,819**	**(654)**	**34,427**	**2,885,745**	**299,733**	**3,185,478**

The notes on pages 190 to 281 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Loss before taxation		**(409,044)**	(832,875)
Adjustments for:			
Depreciation and amortisation	6(c)	**290,908**	283,794
Losses on disposal of property, plant and equipment and right-of-use assets	5	**1,106**	3,215
Equity-settled share-based payment expenses	6(b)	**4,977**	–
Impairment losses	6(c)	**4,215**	89,445
Amortisation of government grants	27	**(5,568)**	(5,662)
Finance costs	6(a)	**120,123**	109,150
Gain on disposal of subsidiaries		**–**	(2,146)
Share of profits less losses of associates	17	**77,987**	43,207
Losses on disposal of financial assets at fair value through profit or loss	30(e)(ii)	**51,354**	–
Fair value changes on financial assets at fair value through profit or loss	30(e)(ii)	**74,038**	365,341
Dividend income	5	**(1,980)**	(3,960)
Net valuation losses/(gains) on investment properties	11	**22,817**	(21,807)
Losses/(gains) on disposal of investment properties (including assets held for sale)	5	**7,762**	(856)
Changes in working capital:			
Decrease in inventories		**28,571**	53,719
Decrease/(increase) in trade and other receivables		**75,163**	(1,756)
Increase in trade and other payables		**297,152**	284,245
Decrease/(increase) in contract assets		**2,025**	(2,233)
(Decrease)/increase in contract liabilities		**(50,229)**	65,848
Cash generated from operations		**591,377**	426,669
Income tax paid		**(11,703)**	(3,520)
Net cash generated from operating activities		**579,674**	423,149

The notes on pages 190 to 281 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2023
(Expressed in RMB)

	Note	2023 RMB'000	2022 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		**(214,119)**	(369,825)
Payment for purchase of financial assets at fair value through profit or loss		**(17,657)**	(102,250)
Payment for interest in associates		**(150)**	(127,400)
Proceeds from sales of financial assets at fair value through profit or loss		**64,106**	50,490
Proceeds from disposal of property, plant and equipment		**22,578**	2,201
Net proceeds from disposal of in subsidiaries		**–**	2,000
Proceeds from disposal of investment properties (including assets held for sale)		**33,818**	70,711
Investment returns received		**500**	1,000
Proceeds from other investing activities		**7,066**	9,125
Net cash used in investing activities		**(103,858)**	(463,948)
Financing activities			
Proceeds from loans and borrowings	23(b)	**2,055,540**	1,469,800
Repayments of loans and borrowings	23(b)	**(2,522,825)**	(1,367,009)
Interest paid	23(b)	**(133,294)**	(134,162)
Proceeds from non-controlling shareholders of subsidiaries		**201,641**	–
Payment for purchase of treasury shares	29(b)(ii)	**–**	(63,559)
Capital element of lease rentals paid	23(b)	**(46,574)**	(39,836)
Interest element of lease rentals paid	23(b)	**(10,891)**	(9,863)
Net cash used in financing activities		**(456,403)**	(144,629)
Net increase/(decrease) in cash and cash equivalents		**19,413**	(185,428)
Effect of foreign exchange rate changes		**(1)**	3,775
Cash and cash equivalents at the beginning of year		**359,003**	540,656
Cash and cash equivalents at the end of year	23	**378,415**	359,003

The notes on pages 190 to 281 form part of these financial statements.

1 GENERAL INFORMATION

Changsha Broad Homes Industrial Group Co., Ltd. ("the Company") was established in Changsha, Hunan Province, the 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, the PRC.

The Company and its subsidiaries (together, "the Group") are principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing ("PC Unit Manufacturing"), prefabricated concrete equipment manufacturing ("PC Equipment Manufacturing"), Modular Integrated Products Manufacturing and Digital EPC.

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 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries and the Group's interest in associates.

The Group incurred a net loss of RMB391,439 thousand (2022: RMB809,071 thousand) for the year ended 31 December 2023 and recorded net current liabilities of RMB918,627 thousand (2022: RMB1,207,409 thousand) at 31 December 2023. Notwithstanding the above results, the consolidated financial statements have 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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

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:

- At 31 December 2023, the Group had sufficient unutilised banking facilities amounted to RMB2,137,209 thousand from various banks and financial institutions in the PRC and had assumed that it will be available for the Group to utilise, when necessary, for its further working capital requirements.;

- For the year ended 31 December 2023, the Group generated net cash from operating activities amounted to RMB579,674 thousand. The Group's expected net cash inflows from operating activities for future 12 months starting from the end of the current reporting period, taking into accounts of the measures of the Group to reduce costs and increase efficiency;

- The Group will continue to implement measures to accelerate the progress of its PC unit manufacturing contracts on hand, and to speed up the collection of sale proceeds and other receivables;

- The Group continues adopting strict controls on its expenditure of investing activities; and

- The Group expects to obtain additional cash inflows from disposal of investment properties in 2024.

The directors of the Group have reviewed the working capital forecast of the Group, which cover a period of twelve months from 31 December 2023. The directors of the Group 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 Group consider that it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2023 on a going concern basis.

Should the Group not be able to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties (see note 2(h)) and investments in debt and equity securities (see note 2(g)), which are stated at their fair value.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to IFRS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to IFRS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

- Amendments to IFRS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(q) or (r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint venture are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(v)(vi)).

– fair value through other comprehensive income (FVOCI)-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(v)(v).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(iv).

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 2(l)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and buildings	20 – 25 years
Machinery equipment	10 – 12 years
Electronic equipment	3 – 5 years
Motor vehicles	4 – 8 years
Office furniture	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(l)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	5 years
Capitalised development costs	5 – 10 years
Technology	10 years

Both the period and method of amortisation are reviewed annually.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill) (continued)

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(i) As a lessee (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(l)(ii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(h).

The initial fair value of refundable rental deposits is accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(g)(i), 2(v)(vi) and 2(l)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(v)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and restricted and pledged bank deposits) and contract assets as defined in IFRS 15 (see note 2(n)).

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset in PC Unit Manufacturing and Modular integrated products manufacturing segments become 5 years past due and the asset in PC Equipment Manufacturing segment becomes 3 years past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

– Property, plant and equipment;

– Intangible assets;

– Right-of-use assets;

– Goodwill;

– Interest in associates; and

– Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Inventories and other contract costs (continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(m)(i)), property, plant and equipment (see note 2(i)) or intangible assets (see note 2(j)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(v).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(v)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(v)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(n)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note 2(l)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(u)(i).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, property pre-sale proceeds held by solicitor that are held for meeting short-term cash commitments, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(x)).

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as at the grant date, and recorded in the capital reserve until each unlocking date and record it under reserves attributable to equity shareholders of the Company. The proceeds received from the employees is firstly recorded as other payables.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(ii) Share-based payments (continued)

During the vesting period, the number of restricted share that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of restricted share that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the restricted share is released (when it is included in the amount recognised in share capital for the shares issued) or the restricted share is forfeited or cancelled (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

The group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date, unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(u) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract (see note 2(l)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of fulfilling the contract. The cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer or the lessee has the right to use the asset at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of PC units, PC equipments and Modular integrated products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on the completion of a physical proportion of the contract work.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(u)(ii).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(iii) Rendering of PC unit designing service

The Group recognises revenue from rendering of PC unit designing services over the period of the service.

(iv) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(l)(i)).

(vii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other revenues.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(z) Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within capital reserve.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(bb) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty

Notes 11 and 30 contain information about the assumptions and their risk factors relating to valuation of investment properties and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy note 2(v), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached, the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Net realisable value of inventories

As described in policy note 2(m), net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of receivables and contract assets

As described in policy note 2(l), the Group's management determines the loss allowance for expected credit losses on trade debtors, bills receivable, other receivables and contract assets based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions, all of which involve a significant degree of management judgement. The Group's management reassesses the loss allowance at each reporting period end. If the current conditions of the debtors or the future economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (continued)

(iv) Fair value estimation on financial assets at FVPL

The financial assets at FVPL held by the Group comprise unlisted equity investments. As at 31 December 2023, the fair value of financial assets at FVPL amounting to RMB1,355,997 thousand (2022: RMB1,620,395 thousand) is determined by using the valuation techniques described in note 30(e). In determining the fair values, the Group also considers the industry conditions, market comparables and other prevailing market conditions existing at the end of each reporting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, manufacturing and sale of PC units, PC equipments, Modular integrated products and carrying out construction activities for others. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

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

	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of PC units	**2,005,304**	2,023,796
– Sales of PC equipments	**46,525**	62,883
– Sales of Modular integrated products	**80,847**	129,089
– Construction contracts – EPC	**68,434**	16,517
	2,201,110	2,232,285

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 (a) of IFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of PC units, PC equipments, Modular integrated products and construction contracts – EPC that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, being (i) PC Unit Manufacturing segment, (ii) PC Equipment Manufacturing segment, (iii) Modular Integrated Products Manufacturing segment and (iv) Digital EPC segment. No operating segments have been aggregated to form the following reportable segments.

- PC Unit Manufacturing and PC Unit designing services: this segment primarily derives its revenue from the design, manufacturing and sale of PC units.
- PC Equipment Manufacturing: this segment primarily derives its revenue from the manufacturing and sale of PC equipments which producing PC units and the licensing of using the Group's patents and brands.
- Modular Integrated Products Manufacturing: this segment primarily derives its revenue from the design, manufacturing and sale of Modular integrated products.
- Digital EPC: this segment primarily derive its revenue from construction activities.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is "EBIT" i.e. "earnings before interest and taxes".

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment except for interest in associates and financial assets at fair value through profit or loss. Segment liabilities principally comprise all non-current liabilities and current liabilities directly attributable to each segment except for short-term borrowings and long-term borrowings.

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 years ended 31 December 2023 and 2022 is set out below:

	Year ended 31 December 2023				
	PC Unit Manufacturing RMB'000	PC Equipment Manufacturing RMB'000	Modular integrated products manufacturing RMB'000	Digital EPC RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	1,913,313	46,525	80,847	91,991	2,132,676
Over time	–	–	–	68,434	68,434
Revenue from external customers	1,913,313	46,525	80,847	160,425	2,201,110
Inter-segment revenue	133,529	–	–	–	133,529
Reportable segment revenue	2,046,842	46,525	80,847	160,425	2,334,639
Reportable segment profit/(loss)	17,705	10,066	(43,901)	24,445	8,315
Finance costs	(118,368)	(1,188)	(519)	(48)	(120,123)
Depreciation and amortisation for the year	(261,964)	(4,700)	(24,244)	–	(290,908)
Reportable segment assets	6,442,769	139,856	437,224	47,415	7,067,264
Capital expenditure	188,174	–	22,144	3,801	214,119
Reportable segment liabilities	1,824,017	67,335	139,558	12,895	2,043,805

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	Year ended 31 December 2022				
	PC Unit Manufacturing RMB'000	PC Equipment Manufacturing RMB'000	Modular integrated products manufacturing RMB'000	Digital EPC RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,023,796	62,883	129,089	–	2,215,768
Over time	–	–	–	16,517	16,517
Revenue from external customers	2,023,796	62,883	129,089	16,517	2,232,285
Inter-segment revenue	23,306	–	–	–	23,306
Reportable segment revenue	2,047,102	62,883	129,089	16,517	2,255,591
Reportable segment profit/(loss)	(171,695)	(10,552)	(74,580)	121	(256,706)
Finance costs	(109,088)	(42)	(18)	(2)	(109,150)
Depreciation and amortisation for the year	(254,988)	(5,195)	(23,611)	–	(283,794)
Reportable segment assets	6,870,779	135,174	449,816	8,586	7,464,355
Capital expenditure	353,366	207	16,252	–	369,825
Reportable segment liabilities	1,591,833	155,340	882,383	8,468	2,638,024

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	**2,334,639**	2,255,591
Elimination of inter-segment revenue	**(133,529)**	(23,306)
Consolidated revenue	**2,201,110**	2,232,285
(Loss)/profit		
Reportable segment profit/(loss)	**8,315**	(256,706)
Elimination of inter-segment profits	**(10,382)**	(6,079)
Finance costs	**(120,123)**	(109,150)
Unallocated head office and corporate expenses	**(85,455)**	(58,498)
Fair value changes on financial assets at fair value through profit or loss	**(74,038)**	(365,341)
Share of profits less losses of associates	**(77,987)**	(43,207)
Gains on disposal of subsidiaries	**–**	2,146
Loss on disposal of financial assets at fair value through profit or loss	**(51,354)**	–
Dividend income	**1,980**	3,960
Consolidated loss before taxation	**(409,044)**	(832,875)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

	2023 RMB'000	2022 RMB'000
Assets		
Reportable segment assets	**7,067,264**	7,464,355
Elimination of inter-segment assets	**(114,285)**	(41,729)
Interest in associates	**302,548**	380,385
Financial assets at fair value through profit or loss	**1,426,060**	1,620,395
Consolidated total assets	**8,681,587**	9,423,406
Liabilities		
Reportable segment liabilities	**2,043,805**	2,638,024
Elimination of inter-segment liabilities	**(114,285)**	(41,729)
Short-term borrowings	**2,652,389**	2,611,283
Long-term borrowings	**914,200**	845,529
Consolidated total liabilities	**5,496,109**	6,053,107

(ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the non-current assets is based on the physical location of the assets. All of the non-current assets which are commonly used by the Group are physically located in the PRC.

5 OTHER NET INCOME

	2023 RMB'000	2022 RMB'000
Government grants (note)	**28,839**	21,380
Operating lease income from investment properties	**4,464**	9,605
Losses on disposal of property, plant and equipment and right-of-use assets	**(1,106)**	(3,215)
(Loss)/gain on disposal of investment properties (including assets held for sale)	**(7,762)**	856
Gains on disposal of other financial assets	**–**	140
Dividend income	**1,980**	3,960
Others	**488**	528
	26,903	33,254

Note: Government grants mainly represent operating subsidies and amortisation of government grants for development and construction of property, plant and equipment (note 27). There were no unfulfilled conditions and other contingencies attached to these grants.

6 LOSS BEFORE TAXATION

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

(a) Finance costs:

	2023 RMB'000	2022 RMB'000
Interest on bank loans and other borrowings	**132,856**	132,132
Interest on lease liabilities	**10,891**	9,863
Interest income	**(7,066)**	(9,125)
Net foreign exchange loss/(gain)	**1**	(3,775)
Less: interest expense capitalised into construction in progress*	**(16,559)**	(19,945)
	120,123	109,150

* The borrowing cost have been capitalised at a rate of 4.14% per annum (2022: 4.36%).

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs:

	2023 RMB'000	2022 RMB'000
Salaries, wages, bonuses and other benefits	**334,037**	395,358
Equity-settled share-based payment expenses	**4,977**	–
Contributions to defined contribution retirement plan	**19,518**	22,352
	358,532	417,710

Staff costs includes remuneration of directors and senior management (note 8 and note 9).

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Company's and its subsidiaries' contributions made to the Schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the Schemes.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

6 LOSS BEFORE TAXATION (CONTINUED)

(c) Other items:

	2023 RMB'000	2022 RMB'000
Amortisation		
– intangible assets (note 13)	**49,203**	42,427
Depreciation		
– property, plant and equipment (note 12)	**182,487**	188,142
– right-of-use assets (note 14)	**59,218**	53,225
Impairment losses		
– trade and other receivables and contract assets	**4,215**	75,802
– inventories	**–**	13,643
Auditors' remuneration		
– audit services	**4,195**	4,200
– non-audit services	**150**	150
Cost of inventories	**1,603,917**	1,762,434

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(i) Taxation in the consolidated statements of comprehensive income represents:

	2023 RMB'000	2022 RMB'000
Current tax – PRC income tax		
Provision for the year	**1,782**	2,473
Current tax – PRC Land Appreciation Tax ("LAT")		
Provision for the year	**6,691**	4,019
Deferred tax		
Origination and reversal of temporary differences	**(26,078)**	(30,296)
	(17,605)	(23,804)

(ii) Reconciliation between tax credit and accounting loss at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Loss before taxation	**(409,044)**	(832,875)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note (i))	**(102,261)**	(208,219)
Tax effect of tax concessions (note (ii))	**(752)**	(1,350)
Tax effect of non-deductible expenses	**6,053**	12,318
Share of profits less losses of associates	**19,497**	10,802
Temporary differences and tax losses for which no deferred tax assets was recognised	**93,175**	199,550
Utilisation of previously unrecognised tax losses	**(4,284)**	(1,484)
Tax effect of non-taxable income	**(677)**	(1,172)
Additional deduction for qualified research and development expenses (note (iii))	**(35,047)**	(39,377)
Land Appreciation Tax (note (iv))	**6,691**	5,128
Actual income tax expense/(credit)	**(17,605)**	(23,804)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

(ii) Reconciliation between tax credit and accounting loss at applicable tax rates: (continued)

Notes:

(i) Under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15% for the years from 2023 to 2026.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and certain of its subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2023.

(iii) Under the income tax law and its relevant regulations, a 100% additional tax deduction is allowed for qualified research and development expenditure in 2022 and 100% additional tax deduction is allowed for qualified research and development expenditure in 2023.

(iv) Land Appreciation Tax is levied on real estate properties in the PRC, at progressive rates ranging from 30% to 60% (2022: 30% to 60%) on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of real estate properties less deductible expenditure including lease charges of land use rights, borrowing costs and property development expenditure.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2023	Directors' fee RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Share incentive scheme RMB'000	Total RMB'000
Chairman						
Zhang Jian	–	469	140	4	–	613
Executive directors						
Tang Fen	–	346	–	24	–	370
Shi Donghong	–	218	100	24	157	499
Zhang Kexiang	–	290	50	9	110	459
Tan Xinming	–	343	20	34	157	554
Hu Shengli	–	626	–	139	157	922
Non-executive directors						
Zhang Quanxun	–	–	–	–	–	–
Independent non-executive directors						
Li Zhengnong	80	–	–	–	–	80
Chen Gongrong	80	–	–	–	–	80
Wang Jiaxin	135	–	–	–	–	135
Zhao Zhengting	80	–	–	–	–	80
Supervisors						
Zhou Feng	–	220	32	24	79	355
Li Gen	–	197	10	20	29	256
Liu Jing	–	249	7	32	–	288
	375	2,958	359	310	689	4,691

8 DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2022	Directors' fee RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Share incentive scheme RMB'000	Total RMB'000
Chairman						
Zhang Jian	–	600	–	21	–	621
Executive directors						
Tang Fen	–	299	140	24	–	463
Shi Donghong	–	305	100	24	–	429
Zhang Kexiang	–	241	30	16	–	287
Tan Xinming	–	404	50	34	–	488
Hu Shengli (appointed on 29 April 2022)	–	1,014	500	133	–	1,647
Non-executive directors						
Zhang Quanxun	–	–	–	–	–	–
Hu Keman (resigned on 29 April 2022)	–	–	–	–	–	–
Independent non-executive directors						
Li Zhengnong	80	–	–	–	–	80
Chen Gongrong	80	–	–	–	–	80
Wang Jiaxin	129	–	–	–	–	129
Zhao Zhengting	80	–	–	–	–	80
Supervisors						
Zhou Feng (appointed on 29 April 2022)	–	291	20	24	–	335
Zhang Mingxin (resigned on 29 April 2022)	–	46	21	5	–	72
Li Gen	–	193	29	20	–	242
Liu Jing	–	262	50	24	–	336
	369	3,655	940	325	–	5,289

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

In 2023, of the five individuals with the highest emoluments, three are directors whose emoluments are disclosed in note 8 (2022: five). The aggregate of the emoluments in respect of the other individuals of 2023 were as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	1,172	–
Discretionary bonuses	–	–
Contributions to retirement scheme	–	–
Share incentive scheme	94	–
	1,266	–

The emoluments of the non-director/supervisor employees among the five highest paid individuals are within the following bands:

	2023 Number of individuals	2022 Number of individuals
Nil – RMB1,000,000	2	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB3,000,000	–	–

10 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company of RMB389,125 thousand (2022: RMB808,110 thousand) and the weighted average number of shares of 477,540,100 (2022: 481,777,416), calculated as follows:

Weighted average number of ordinary shares

	2023 No. of shares	2022 No. of shares
Issued ordinary shares at 1 January	**477,540,100**	487,562,222
Effect of treasury shares repurchased (note 29(b)(ii))	**–**	(5,784,806)
Weighted average number of ordinary shares	**477,540,100**	481,777,416

Diluted loss per share were the same as the basic loss per share as there was no dilutive effect on the potential ordinary shares during the years.

11 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2022	250,915
Fair value adjustment	21,807
Disposals	(17,837)
Transfer to assets held for sale	(30,349)
Balance at 31 December 2022	224,536
Balance at 1 January 2023	**224,536**
Fair value adjustment	**(22,817)**
Additions	**6,820**
Transfer from construction in progress	**62,685**
Transfer from property, plant and equipment	**7,992**
Disposals	**(79,959)**
Balance at 31 December 2023	**199,257**

11 INVESTMENT PROPERTIES (CONTINUED)

Fair value adjustment of investment properties is recognised in the line item "Net valuation gain/(loss) on investment properties" on the face of the consolidated statement of comprehensive income.

The Group leases out its investment properties and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 13 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

Assets held for sale with carrying amount of RMB30,349 thousand as of 31 December 2022 were disposed in 2023 with no gain or loss recognised in profit or loss.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**6,106**	6,545
After 1 year but within 2 years	**5,647**	5,982
After 2 year but within 3 years	**4,931**	4,394
After 3 year but within 4 years	**4,035**	3,055
After 4 year but within 5 years	**3,762**	2,195
After 5 years	**13,048**	3,726
	37,529	25,897

12 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 2022	1,072,085	1,592,210	29,314	28,425	22,066	361,543	3,105,643
Additions	154,784	2,837	1,242	519	1,123	181,332	341,837
Transferred from construction in progress	29,781	5,945	–	–	84	(35,810)	–
Disposals	(7,598)	(10,895)	(675)	(127)	(291)	–	(19,586)
Disposal of subsidiaries	–	(104,617)	(191)	–	–	–	(104,808)
Balance at 31 December 2022 and 1 January 2023	1,249,052	1,485,480	29,690	28,817	22,982	507,065	3,323,086
Additions	**14,011**	**9,931**	**387**	**104**	**90**	**120,448**	**144,971**
Transferred from construction in progress	**16,327**	**132,455**	**-**	**-**	**-**	**(148,782)**	**-**
Transferred to construction in progress	**-**	**(4,741)**	**-**	**-**	**-**	**1,057**	**(3,684)**
Transfer to investment properties	**(8,226)**	**-**	**-**	**-**	**-**	**(62,685)**	**(70,911)**
Disposals	**(7,331)**	**(11,205)**	**(780)**	**(644)**	**(224)**	**-**	**(20,184)**
Balance at 31 December 2023	**1,263,833**	**1,611,920**	**29,297**	**28,277**	**22,848**	**417,103**	**3,373,278**
Accumulated depreciation:							
Balance at 1 January 2022	(146,863)	(621,676)	(20,051)	(14,767)	(14,722)	–	(818,079)
Depreciation charge for the year	(47,448)	(137,240)	(2,465)	(3,121)	(1,501)	–	(191,775)
Written back on disposals	4,744	8,122	625	121	266	–	13,878
Disposal of subsidiaries	–	94,526	182	–	–	–	94,708
Balance at 31 December 2022 and 1 January 2023	**(189,567)**	**(656,268)**	**(21,709)**	**(17,767)**	**(15,957)**	**-**	**(901,268)**
Depreciation charge for the year	**(57,839)**	**(119,952)**	**(1,930)**	**(3,046)**	**(1,216)**	**-**	**(183,983)**
Written back on transfer to construction in progress	**-**	**3,684**	**-**	**-**	**-**	**-**	**3,684**
Written back on transfer to investment properties	**234**	**-**	**-**	**-**	**-**	**-**	**234**
Written back on disposals	**19**	**6,593**	**641**	**561**	**209**	**-**	**8,023**
Balance at 31 December 2023	**(247,153)**	**(765,943)**	**(22,998)**	**(20,252)**	**(16,964)**	**-**	**(1,073,310)**
Net book value:							
Balance at 31 December 2023	**1,016,680**	**845,977**	**6,299**	**8,025**	**5,884**	**417,103**	**2,299,968**
Balance at 31 December 2022	1,059,485	829,212	7,981	11,050	7,025	507,065	2,421,818

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, property, plant and equipment with carrying amounts of RMB351,857 thousand (2022: RMB373,038 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 24).

As at 31 December 2023, the Group was applying for certificates of ownership for certain properties with carrying amounts RMB146,459 thousand (2022: RMB158,653 thousand). The directors of the Group are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

13 INTANGIBLE ASSETS

	Software RMB'000	Capitalised development costs* RMB'000	Technology RMB'000	Total RMB'000
Cost:				
Balance at 1 January 2022	34,113	385,446	7,910	427,469
Additions	5,336	57,413	–	62,749
Acquired in business combination	–	–	480	480
Balance at 31 December 2022	39,449	442,859	8,390	490,698
Balance at 1 January 2023	**39,449**	**442,859**	**8,390**	**490,698**
Additions	**49**	**62,784**	**–**	**62,833**
Balance at 31 December 2023	**39,498**	**505,643**	**8,390**	**553,531**
Accumulated amortisation:				
Balance at 1 January 2022	(23,054)	(96,906)	(270)	(120,230)
Amortisation for the year	(4,258)	(37,498)	(810)	(42,566)
Balance at 31 December 2022	(27,312)	(134,404)	(1,080)	(162,796)
Balance at 1 January 2023	**(27,312)**	**(134,404)**	**(1,080)**	**(162,796)**
Amortisation for the year	**(3,461)**	**(45,137)**	**(810)**	**(49,408)**
Balance at 31 December 2023	**(30,773)**	**(179,541)**	**(1,890)**	**(212,204)**
Net book value:				
Balance at 31 December 2023	**8,725**	**326,102**	**6,500**	**341,327**
Balance at 31 December 2022	12,137	308,455	7,310	327,902

* As at 31 December 2023, capitalised development costs amounted to RMB39,858 thousand (2022: RMB40,347 thousand) represented work in progress and had not commenced amortisation.

14 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:

	Note	2023 RMB'000	2022 RMB'000
Land use rights, carried at depreciated cost	(i)	**390,725**	424,754
Plant and buildings, carried at depreciated cost	(ii)	**182,815**	173,499
		573,540	598,253

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**10,194**	10,243
Plant and buildings	**49,024**	46,053
	59,218	56,296
Expense relating to short-term leases	**5,134**	8,402

During the year, additions to right-of-use assets were RMB11 million (2022: RMB11 million). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 23(c) and 26, respectively.

14 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 31 December 2023, certain land use rights with carrying amounts of RMB181,330 thousand (2022: RMB121,195 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 24).

(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.

15 GOODWILL

A goodwill of RMB7,799 thousand was recognised in 2021 as a result of the Company's capital injection into Henan Xinpu Broad Homes Residential Industry Co., Ltd. As at the end of the financial reporting period, an impairment test was performed and no impairment loss was recorded.

(Expressed in RMB unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries as at 31 December 2023 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interests Held by the Company	Proportion of ownership interests Held by the subsidiary	Principal activities
Hunan Broad Engineering Design Co., Ltd. (湖南遠大工程設計有限公司) (i)	The PRC	RMB10,000,000/ RMB3,000,000	100%	–	Engineering design and consulting service
Ningxiang Broad Homes Industrial Co., Ltd. (寧鄉遠大住宅工業有限公司) (i)	The PRC	RMB60,000,000/ RMB60,000,000	100%	–	PC unit manufacturing
Xiangtan Broad Homes Industrial Co., Ltd. (湘潭遠大住宅工業有限公司) (i)	The PRC	RMB60,000,000/ RMB60,000,000	100%	–	PC unit manufacturing
Yueyang Broad Homes Industrial Co., Ltd. (岳陽遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Changsha Broad Homes Industrial Anhui Co., Ltd. (長沙遠大住宅工業安徽有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Changsha Broad Homes Industrial (Jiangsu) Co., Ltd. (長沙遠大住宅工業(江蘇)有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Broad Homes Industrial (Tianjin) Co., Ltd. (遠大住宅工業(天津)有限公司) (i)	The PRC	RMB100,000,000/ RMB100,000,000	100%	–	PC unit manufacturing
Broad Homes Industrial (Shanghai) Co., Ltd. (遠大住宅工業(上海)有限公司) (i)	The PRC	RMB200,000,000/ RMB121,367,841	100%	–	PC unit manufacturing
Chenzhou Broad Homes Industrial Co., Ltd. (郴州遠大住宅工業有限公司) (i)	The PRC	RMB29,970,000/ RMB29,970,000	99.9%	–	PC unit manufacturing
Guangzhou Broad Homes Industrial Co., Ltd. (廣州遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	Cement product, PC unit and other construction materials manufacturing
Changsha Broad Homes Industrial Fuyang Co., Ltd. (長沙遠大住宅工業阜陽有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Lu An Broad Homes Industrial Co., Ltd. (六安遠大住宅工業有限公司) (i)	The PRC	RMB300,000,000/ RMB150,000,000	–	100%	Modular integrated products manufacturing
Changsha Broad Homes Intelligent Technology Co., Ltd. (長沙遠大住工智能科技有限公司) (i)	The PRC	RMB30,000,000/ RMB7,000,000	100%	–	Research, development and transfer of intelligent technology
Broad Homes Industrial (Hangzhou) Co., Ltd. (遠大住宅工業(杭州)有限公司) (i)(iv)	The PRC	RMB150,673,100/ RMB150,673,100	66.37%	–	PC unit manufacturing
Broad Homes Industrial (Nanjing) Co., Ltd. (遠大住宅工業(南京)有限公司) (i)	The PRC	RMB200,000,000/ RMB112,565,229	100%	–	PC unit manufacturing
Wuhan Broad Homes Industrial Co., Ltd. (武漢遠大住宅工業有限公司) (i)	The PRC	RMB259,044,655/ RMB259,044,655	99.9%	–	PC unit manufacturing
Shenzhen Broad Homes Industrial Co., Ltd. (深圳遠大住宅工業有限公司) (i)	The PRC	RMB29,970,000/ RMB29,970,000	99.9%	–	PC unit manufacturing
Huizhou Broad Homes Industrial Co., Ltd. (惠州遠大住宅工業有限公司) (i)	The PRC	RMB29,970,000/ RMB26,562,419	–	99.9%	PC unit manufacturing
Changsha Broad Homes Mofang Technology Co., Ltd. (長沙遠大魔方科技有限公司) (i)	The PRC	RMB500,000,000/ RMB277,494,024	100%	–	Modular integrated products manufacturing

Notes to the Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interests Held by the Company	Proportion of ownership interests Held by the subsidiary	Principal activities
Hunan Broad Homes Intelligent Equipment Co., Ltd. (湖南遠大住工智能裝備有限公司) (i)	The PRC	RMB30,000,000/ –	100%	–	Manufacturing and sales of intelligent equipment
Changshu Broad Homes Industrial Technology Co., Ltd. (遠大住宅工業科技(常熟)有限公司) (i)	The PRC	RMB100,000,000/ RMB21,367,842	–	100%	PC unit manufacturing
Zhengzhou Broad Homes Industrial Technology Co., Ltd. (鄭州遠大住宅工業科技有限公司) (i)	The PRC	RMB200,000,000/ RMB141,011,399	100%	–	PC unit manufacturing
Jiaozuo Broad Homes Industrial Co., Ltd. (遠大住宅工業(焦作)有限公司) (i)	The PRC	RMB200,000,000/ RMB136,036,286	–	100%	PC unit manufacturing
Broad Homes Industrial Technology (Weifang) Co., Ltd. (遠大住宅工業科技(濰坊)有限公司) (i)	The PRC	RMB200,000,000/ RMB200,000,000	100%	–	PC unit manufacturing
Jiangsu Broad Homes Industrial Technology Co., Ltd. (江蘇遠大住宅工業科技有限公司) (i)	The PRC	RMB200,000,000/ RMB112,565,229	–	100%	PC unit manufacturing
Henan Xinpu Broad Homes Residential Industry Co., Ltd. (河南新蒲遠大住宅工業有限公司) (i)	The PRC	RMB112,185,020/ RMB112,185,020	42.06%	–	PC unit manufacturing
Broad Elite Apartment Technology Co., Ltd. (長沙遠大美寓科技有限公司) (i)	The PRC	RMB100,000,000/ RMB1,000,000	100%	–	Real estate leasing
Broad Cooperation Investment Co., Ltd. (湖南博絡科迅投資有限公司) (i)	The PRC	RMB100,000,000/ RMB55,510,000	100%	–	Investment holding
Changsha Lugu Broad Homes Industrial Technology Co., Ltd. (長沙麓谷遠大住宅工業有限公司) (i)	The PRC	RMB100,000,000/ –	100%	–	PC unit manufacturing
Changsha Modular Building Services Co.,Ltd. (長沙模塊建築勞務有限公司) (i)	The PRC	RMB10,000,000/ –	100%	–	Construction business
Hunan Yanjia Construction Engineering Co.,Ltd. (湖南延嘉建築工程有限公司) (i)	The PRC	RMB8,000,000/ 5,600,000	100%	–	Construction business
Changsha Broad Construction Engineering Management Co.,Ltd. (長沙遠大建設工程管理有限公司) (i)	The PRC	RMB30,000,000/ RMB1,200,000	60%	–	Project management services
Changsha Broad Mofang Building Services Co., Ltd. (長沙遠大魔方建築有限公司) (i)	The PRC	RMB30,000,000/ –	100%	–	Construction business
Hunan Modul Ventures Co., Ltd. (湖南魔投創業投資有限公司) (i)	The PRC	RMB30,000,000/ RMB973,000	100%	–	Investment holding
Hunan Cube Soyeah Cultural Tourism Development Co., Ltd. (湖南魔方宿野文化旅遊發展有限公司) (i)(iii)	The PRC	RMB4,000,000/ RMB2,542,900	–	62.5%	Leisure tourism development and operation
Beijing Dacheng Zhiyuan Technology Co., Ltd. (北京大成致遠科技有限公司) (i)(iii)	The PRC	RMB50,000,000/ –	100%	–	Sales of concrete structural components
Hefei Broad Homes Industrial Co., Ltd. (合肥遠大住宅工業有限公司) (i)(iii)	The PRC	RMB30,000,000/ –	99.9%	–	PC unit manufacturing
Changsha Magic Investment Co-creation Enterprise Management Partnership (Limited Partnership) (長沙魔投共創企業管理合夥企業(有限合夥))(i)(iii)	The PRC	RMB1,000,000/ RMB993,000	–	51%	Business management consulting

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

(i) The English translation of the Company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) The Group deregistered Changsha Mofang Outdoor Posthouse Cultural Tourism Operation Co., Ltd. during 2023.

(iii) These subsidiaries were newly established by the Group in 2023.

(iv) On 28 December 2023, the Group disposed 33.63% of the issued shares of Broad Homes Industrial (Hangzhou) Co., Ltd. for RMB200 million. Prior the transaction, the net assets of Broad Homes Industrial (Hangzhou) Co., Ltd. was RMB415,725 thousand. The Group recognised increase in non-controlling interest of RMB207,068 thousand and decrease in equity attributable to of RMB7,063 thousand. The effect on the equity transactions is summarized as follows:

	2023 **RMB'000**
Capital Injection of BOCOM	**200,000**
33.63% of net assets in Broad Homes Industrial (Hangzhou) Co., Ltd.	**(208,981)**
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**(8,981)**

All companies comprising the Group have adopted 31 December as their financial year end date.

The following table lists out the information relating to Broad Homes Industrial (Hangzhou) Co., Ltd., the only subsidiary of the group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2023 **RMB'000**
NCI percentage	**33.63%**
Current assets	**921,508**
Non-current assets	**303,872**
Current liabilities	**(598,425)**
Non-current liabilities	**(5,542)**
Net assets	**621,413**
Carrying amount of NCI	**208,981**
Revenue	**338,897**
Profit for the year	**26,696**
Total comprehensive income	**26,696**
Profit allocated to NCI	**–**
Cash flows from operating activities	**(58,612)**
Cash flows from investing activities	**(6,132)**
Cash flows from financing activities	**264,779**

(Expressed in RMB unless otherwise indicated)

17 INTEREST IN ASSOCIATES

As of 31 December 2023, the Group has interests in 14 (2022: 13) associates, none of these associates was individually material to the Group's financial condition or results of operations for the years ended 31 December 2023 and 2022. The following list contains only the particulars of these associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Chengdu Chengtou Broad Construction Technology Co., Ltd.* (成都城投遠大建築科技有限公司)	The PRC	RMB200,000,000/ RMB200,000,000	35%	35%	–	PC unit manufacturing
Chongqing Yulong Broad Homes Industry Co., Ltd.* (重慶渝隆遠大住宅工業有限公司)	The PRC	RMB241,500,000/ RMB241,500,000	39%	39%	–	PC unit manufacturing
Changde Broad Construction Industrial Co., Ltd.* (常德遠大建築工業有限公司)	The PRC	RMB76,561,200/ RMB76,561,200	34%	34%	–	PC unit manufacturing
Henan Broad Tiancheng Homes Industry Co., Ltd.* (河南遠大天成住宅工業股份有限公司)	The PRC	RMB60,000,000/ RMB60,000,000	30%	30%	–	PC unit manufacturing
Shanxi Jiantou Broad Construction Industry Co., Ltd.* (山西建投遠大建築工業股份有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	35%	35%	–	PC unit manufacturing
Shaanxi Investment Broad Construction Industry Co., Ltd.* (陝西投資遠大建築工業有限公司)	The PRC	RMB165,000,000/ RMB165,000,000	33%	33%	–	PC unit manufacturing
Suzhou Yiyuan Homes Technology Co., Ltd.* (蘇州毅遠住宅科技有限公司)	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	–	PC unit manufacturing
Xinjiang Broad Huamei Construction Industry Co., Ltd.* (新疆遠大華美建築工業有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	35%	35%	–	PC unit manufacturing
Zhangjiajie Broad Homes Industry Co., Ltd.* (張家界遠大住宅工業有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	49%	49%	–	PC unit manufacturing
Hunan Bozhong Investment Development Co., Ltd.* (湖南波中投資發展有限公司)	The PRC	RMB23,800,000/ RMB5,000,000	9.87%	9.87%	–	PC unit manufacturing
Hunan Broad Construction & Industrial Co., Ltd. (湖南遠大建工股份有限公司)	The PRC	RMB200,000,000/ RMB200,000,000	49%	49%	–	Construction contract
Changsha Broad Box International Trade Co., Ltd. (長沙遠大魔方國際貿易有限公司)	The PRC	RMB10,000,000/ RMB500,000	5%	–	5%	Import and export of goods
Broad Homes Industrial International Co., Ltd.	Hong Kong	HKD20,408,200/ HKD20,408,200	29%	29%	–	PC unit manufacturing
Industrial Park Gro'jec sp. z o.o.	The Republic of Poland	PLN14,000,000/ PLN14,000,000	35%	35%	–	PC unit manufacturing

All of the above associates are accounted for using the equity method in 2023 and 2022. The purpose of the investment in the associates is to enable the Group to expand PC units business in the PRC.

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

17 INTEREST IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**302,548**	380,385
Aggregate amounts of the Group's share of those associates		
Losses from operations	**(77,987)**	(43,207)
Other comprehensive income	**–**	–
Total comprehensive income	**(77,987)**	(43,207)

In 2023, of the total 14 associates, 13 associates have commenced their operations and of which, one associate was profit-making. The directors are of the opinion that the accumulated losses incurred in the associates which are in their respective initial operation period or are yet to commence their operations is not considered to be an indication of impairment. Nevertheless, the recoverable amount of the Group's investment in associates, which is the greater of its fair value less costs of disposal and value in use, is estimated by the Group at the end of each year. The valuation techniques are in consistent with those disclosed in note 30. The recoverable amount of respective associates exceed its carrying amount as at 31 December 2023. By considering the factors and estimation above, no impairment loss has been recognised for the Group's interest in associates in 2023 (2022: nil).

Since 2018, the Company started to implement the "two-level management strategy" for the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory ("Joint Factories").

In order to reallocate the limited management resources and motivate the shareholder(s) other than the Company ("JF Partners") of certain Joint Factories, after negotiation and the consent of the JF Partners, the Company no longer holds the decision-making rights in the key management decisions of these Joint Factories in the board meetings or shareholder's meetings and ceased to appoint directors and to be entitled to nominate directors. Instead, the Company obtained information about the operation and financial performance of these Joint Factories by presenting in the regular meetings of them, the financial data provided quarterly as well as the data generated from the operation of PC-CPS, an intelligent system to manage the operation and production, in case PC-CPS is installed in these Joint Factories.

In 2022 and 2023, there was no loss of significant influence over these Joint Factories.

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Financial assets at fair value through profit or loss – Equity investment (note 17)	**1,426,060**	1,620,395

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Arising from performance under construction contracts	**208**	2,233
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 21)	**26,913**	3,834

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a one to two year retention period for 3% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

(b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Billings in advance of performance	**132,823**	183,052

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 50% deposit before the manufacturing of PC units, PC equipments and a 85% to 100% deposit before the manufacturing of Modular integrated products.

20 INVENTORIES

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

	2023 RMB'000	2022 RMB'000
Raw materials	**110,959**	118,961
Work in progress	**37,129**	48,399
Finished goods	**98,369**	107,668
	246,457	275,028
Less: provision for impairment of inventories	**(10,777)**	(10,777)
	235,680	264,251

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

21 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade debtors	**2,652,108**	2,821,998
Bills receivable	**41,283**	68,512
Less: allowance for doubtful debts	**(272,546)**	(275,647)
	2,420,845	2,614,863
Other receivables	**125,705**	117,012
Less: allowance for doubtful debts	**(9,025)**	(3,632)
	116,680	113,380
Prepayments	**59,688**	33,047
VAT recoverable	**29,071**	27,925
Prepaid income tax	**967**	256
Others	**1,119**	1,273
	2,628,370	2,790,744

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

21 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

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

	2023 RMB'000	2022 RMB'000
Within 1 month	**206,855**	210,317
Over 1 month but less than 1 year	**1,280,840**	1,532,566
1 to 2 years	**536,865**	527,409
2 to 3 years	**238,676**	257,807
3 to 4 years	**138,073**	59,361
4 to 5 years	**19,536**	26,403
More than 5 years	**–**	1,000
	2,420,845	2,614,863

Trade debtors and bills receivable are due within 30 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 30(a).

As at 31 December 2023, certain trade and other receivables with carrying amount of RMB273,540 thousand (2022: RMB70,000 thousand) was pledged as collateral for certain bank loans and other borrowings (see note 24).

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**275,647**	202,338
Uncollected amounts written off	**(1,884)**	–
Impairment losses (reversed)/recognised	**(1,217)**	73,310
Disposal of subsidiaries	**–**	(1)
Balance at 31 December	**272,546**	275,647

22 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 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 is released.

Included in the restricted bank deposits were frozen funds in respect of legal claim amounted to RMB51,102 thousand (2022: RMB60,295 thousand). In 2023, 6 (2022: 8) subsidiaries of the Group received notices on the legal claims by their vendors in respect of delayed payment to those vendors. These claims were in the process of trial and the court temporarily froze the amounts claimed by those vendors. The Group had recorded the relevant amounts as payable at 31 December 2023 and the Directors consider no additional provisions were required to be made in respect of these claims at 31 December 2023.

Except as disclosed above, the remaining restricted and pledged bank deposits included in non-current assets was to secure the repayment of long-term borrowings and related interests.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2023 **RMB'000**	2022 RMB'000
Cash at bank	**378,415**	359,003

Cash at bank includes time deposits of RMB nil (2022: RMB9,000 thousand) placed at banks in the PRC and Hong Kong with original maturities of three months or less. These deposits are guaranteed for principal repayment with fixed or determinable returns.

23 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2023	3,456,812	183,338	3,640,150
Changes from financing cash flows:			
Proceeds from loans and borrowings	2,055,540	–	2,055,540
Repayments of loans and borrowings	(2,522,825)	–	(2,522,825)
Interest paid	(133,294)	–	(133,294)
Capital element of lease rentals paid	–	(46,574)	(46,574)
Interest element of lease rentals paid	–	(10,891)	(10,891)
Total changes from financing cash flows	(600,579)	(57,465)	(658,044)
Other changes:			
Interest on loans, borrowings and lease liabilities	133,294	10,891	144,185
Increase in lease liabilities from entering into new leases during the year	–	65,277	65,277
Decrease in lease liabilities from termination of leases during the year	–	(2,248)	(2,248)
Non-cash changes	577,062	–	577,062
Total other changes	710,356	73,920	784,276
At 31 December 2023	3,566,589	199,793	3,766,382

23 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (continued)

	Bank loans and other borrowings RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 26)	Total RMB'000
At 1 January 2022	2,890,454	195,945	3,086,399
Changes from financing cash flows:			
Proceeds from loans and borrowings	1,469,800	–	1,469,800
Repayments of loans and borrowings	(1,367,009)	–	(1,367,009)
Interest paid	(134,162)	–	(134,162)
Capital element of lease rentals paid	–	(39,836)	(39,836)
Interest element of lease rentals paid	–	(9,863)	(9,863)
Total changes from financing cash flows	(31,371)	(49,699)	(81,070)
Other changes:			
Interest on loans, borrowings and lease liabilities	134,162	9,863	144,025
Increase in lease liabilities from entering into new leases during the year	–	46,081	46,081
Decrease in lease liabilities from termination of leases during the year	–	(18,852)	(18,852)
Non-cash changes	463,567	–	463,567
Total other changes	597,729	37,092	634,821
At 31 December 2022	3,456,812	183,338	3,640,150

23 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**5,134**	8,402
Within financing cash flows	**57,465**	49,699
	62,599	58,101

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	**62,599**	58,101
	62,599	58,101

24 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	2023 RMB'000	2022 RMB'000
Secured bank loans	(i)	**828,462**	551,000
Guaranteed bank loans	(ii)	**333,500**	204,000
Unsecured bank loans		**619,139**	546,186
Add: Current portion of non-current loans and borrowings		**871,288**	1,310,097
		2,652,389	2,611,283

24 LOANS AND BORROWINGS (CONTINUED)

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

(i) Secured bank loans

Short-term loans and borrowings of RMB197,000 thousand were secured by the Group's plants, buildings and land use rights as at 31 December 2023 (2022: RMB197,000 thousand).

Short-term loans and borrowings of 283,000 thousand were secured by the Group's plants, buildings and land use rights and either guaranteed by Mr. Zhang Jian or co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui (both of them are related parties) as at 31 December 2023 (2022: RMB284,000).

Short-term loans and borrowings of RMB348,462 thousand were secured by the Group's trade and other receivables as at 31 December 2023 (2022: RMB70,000 thousand).

(ii) Guaranteed bank loans

Short-term loans and borrowings of RMB303,000 thousand were either co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui or co-guaranteed by Mr. Zhang Jian, Ms. Liu Hui and Company or a Group's subsidiary as at 31 December 2023 (2022: RMB145,000).

Short-term loans and borrowings of RMB30,500 thousand were guaranteed by the Company or a Group's subsidiary as at 31 December 2023 (2022: RMB59,000).

(b) Long-term loans and borrowings

	Note	2023 RMB'000	2022 RMB'000
Secured bank loans and other borrowings	(i)	**1,245,588**	886,698
Guaranteed bank loans	(ii)	**322,900**	888,928
Unsecured bank loans		**217,000**	380,000
Less: Current portion of non-current loans and borrowings		**(871,288)**	(1,310,097)
		914,200	845,529

24 LOANS AND BORROWINGS (CONTINUED)

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

(i) Secured bank loans and other borrowings

Long-term loans and borrowings of RMB781,300 thousand were secured by the Group's plants, buildings and land use rights and co-guaranteed by the Group's subsidiaries, Mr. Zhang Jian and Ms. Liu Hui as at 31 December 2023 (2022: RMB376,000).

Long-term loans and borrowings of RMB382,000 thousand were secured by the Group's plants, buildings and land use rights as at 31 December 2023 (2022: RMB417,550).

Long-term loans and borrowings of RMB82,288 thousand were secured by the Group's machinery equipment as at 31 December 2023 (2022: RMB93,148 thousand).

(ii) Guaranteed bank loans

Long-term loans and borrowings of RMB129,400 thousand were either guaranteed by Mr. Zhang Jian or co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui as at 31 December 2023 (2022: RMB438,700).

Long-term loans and borrowings of RMB100,000 thousand were co-guaranteed by a Group's subsidiary, Mr. Zhang Jian and Ms. Liu Hui as at 31 December 2023 (2022: RMB450,000 thousand).

Long-term loans and borrowings of RMB93,500 thousand (2022: Nil) were guaranteed by Group's subsidiaries.

(c) Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). As at 31 December 2023, none of the covenants relating to drawn down facilities had been breached (2022: nil).

25 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade creditors	**1,222,419**	1,327,434
Bills payable	**146,350**	575,689
Trade creditors and bills payable	**1,368,769**	1,903,123
Accrued staff costs	**35,845**	22,246
VAT payable	**64,589**	76,002
Sundry taxes payable	**3,089**	3,337
Security deposits	**10,997**	15,170
Interest payable	**2,881**	3,318
Received in advance	**837**	54,731
Other accrued expenses and payables	**19,732**	40,832
	1,506,739	2,118,759

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:

	2023 RMB'000	2022 RMB'000
Within 1 year	**1,112,107**	1,618,867
1 to 2 years	**130,020**	188,956
2 to 3 years	**56,266**	28,247
More than 3 years	**70,376**	67,053
	1,368,769	1,903,123

26 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2023 and 2022:

	2023		2022	
	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
Within 1 year	56,319	66,221	40,623	49,965
After 1 year but within 2 years	19,372	26,769	22,401	29,919
After 2 years but within 3 years	16,055	22,429	10,890	17,236
After 3 years	108,047	135,636	109,424	142,577
	143,474	184,834	142,715	189,732
	199,793	251,055	183,338	239,697
Less: total future interest expenses		(51,262)		(56,359)
Present value of lease liabilities		199,793		183,338

27 DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
At the beginning of year	79,895	85,625
Amortised to other net income	(5,568)	(5,662)
Disposal of subsidiaries	–	(68)
At the end of year	74,327	79,895
Representing		
Current portion	5,338	5,568
Non-current portion	68,989	74,327

Deferred income of the Group mainly represented various grants received from governments. Government grants are mainly for development of construction of property, plant and equipment. Government grants are recognised as other income on a straight-line basis over the expected useful life of the underlying property, plant and equipment.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2023 RMB'000	2022 RMB'000
Provision for/(prepaid) PRC income tax for prior year	**2,362**	(610)
Provision for PRC income tax and LAT for the year	**8,473**	6,492
Provisional income tax paid net off tax returned	**(11,703)**	(3,520)
	(868)	2,362
Current taxation as at 31 December	**99**	2,618
Prepaid income tax at 31 December	**(967)**	(256)
	(868)	2,362

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the years are presented as follows:

At 31 December 2023

	Balance at 1 January 2023 RMB'000	Credited/ (charged) to profit or loss RMB'000	Balance at 31 December 2023 RMB'000
Deferred tax arising from:			
Credit loss allowance	42,881	220	43,101
Inventory provision	2,472	–	2,472
Deferred income	3,763	(774)	2,989
Unrealised profit	4,179	(1,505)	2,674
Investment properties	(20,382)	12,782	(7,600)
Tax deductible losses	29,529	10,756	40,285
Right-of-use assets	–	(664)	(664)
Lease liabilities	–	4,487	4,487
Fair value adjustments arising from business combination	(8,251)	776	(7,475)
	54,191	26,078	80,269

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (continued)

(i) Movement of each component of deferred tax assets and liabilities (continued)

At 31 December 2022

	Balance at 1 January 2022 RMB'000	Credited/ (charged) to profit or loss RMB'000	Balance at 31 December 2022 RMB'000
Deferred tax arising from:			
Credit loss allowance	30,896	11,985	42,881
Inventory provision	212	2,260	2,472
Deferred income	4,190	(427)	3,763
Unrealised profit	5,908	(1,729)	4,179
Investment properties	(16,294)	(4,088)	(20,382)
Tax deductible losses	7,939	21,590	29,529
Fair value adjustments arising from business combination	(8,956)	705	(8,251)
Total	23,895	30,296	54,191

(ii) Reconciliation to the consolidated statements of financial position

	2023 RMB'000	2022 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**96,008**	82,824
Net deferred tax liability recognised in the consolidated statement of financial position	**(15,739)**	(28,633)
	80,269	54,191

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB998,601 thousand (2022: RMB754,772 thousand) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at 31 December 2023 will expire in the following years:

	2023 **RMB'000**	2022 RMB'000
2023	**–**	20,883
2024	**40,453**	41,208
2025	**111,886**	114,360
2026	**105,890**	105,900
2027	**434,688**	472,421
2028	**305,684**	–
	998,601	754,772

29 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Attributable to equity shareholders of the Company					
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total equity RMB'000
Balance at 1 January 2022		487,639	2,302,321	147,819	(4,638)	487,863	3,421,004
Changes in equity for 2022							
Loss for the year		–	–	–	–	(607,901)	(607,901)
Other comprehensive income		–	–	–	145	(145)	–
Total comprehensive income		–	–	–	145	(608,046)	(607,901)
Appropriation for surplus reserve	29(c)(ii)	–	–	–	–	–	–
Balance at 31 December 2022 and 1 January 2023		**487,639**	**2,302,321**	**147,819**	**(4,493)**	**(120,183)**	**2,813,103**
Changes in equity for 2023							
Loss for the year		**–**	**–**	**–**	**–**	**(348,185)**	**(348,185)**
Other comprehensive income		**–**	**–**	**–**	**3,839**	**(3,839)**	**–**
Total comprehensive income		**–**	**–**	**–**	**3,839**	**(352,024)**	**(348,185)**
Appropriation for surplus reserve	29(c)(ii)	**–**	**–**	**–**	**–**	**–**	**–**
Equity settled share-based transactions		**–**	**4,977**	**–**	**–**	**–**	**4,977**
Balance at 31 December 2023		**487,639**	**2,307,298**	**147,819**	**(654)**	**(472,207)**	**2,469,895**

29 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

(i) Issued share capital

	2023 RMB'000	2022 RMB'000
Ordinary shares issued and fully paid of RMB1 each:		
At 1 January and 31 December	**487,639**	487,639

Representing

	2023 RMB'000	2022 RMB'000
Domestic shares issued	**177,825**	177,825
H shares issued	**309,814**	309,814
Total ordinary shares issued at 31 December	**487,639**	487,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

29 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital (continued)

(ii) Share-based payments

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 motive 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.

On 30 December 2022, in view of the impact of the COVID-19 pandemic in China and the actual situation of the Company, the Board has considered and agreed not to implement the 2021 Medium to Long-Term Incentive Plan in 2022 and to convene meetings of the Board or the Remuneration and Appraisal Committee of the Board (as the case may be) as and when appropriate to determine the Incentive Targets for the Restricted Share Incentive Plan and the Share Option Incentive Plan and implement the grant. 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 vesting conditions of share options. The exercise price and its conditions will be fixed upon the granting of the share options.

At 31 December 2022, the Group acquired a total of 10,099,300 shares of the Company from the open market, at a total consideration of RMB84,085 thousand, for the purpose of setting up the Plan. The shares are held as treasury shares and have been deducted from total equity attributable to equity shareholders of the Company.

On 6 July 2023, the Board approved to transfer the share option incentive plan to the restricted share incentive plan at an exercise price of HKD0 and approved the grant of a total of 6,350,382 H Shares to a total of 150 incentive targets, including four executive directors, and other senior management members and outstanding key business personnel of the Company. The grant date fair value of restricted shares granted to the incentive targets was HKD1.7 per share which was the market price of the of the Company's shares on 6 July 2023. Information on the accounting policy adopted for restricted shares granted in accordance with IFRS 2, Share-based Payment, and the methodology and assumptions used in calculating the fair value of the restricted shares are provided in note 2(s)(ii).

(Expressed in RMB unless otherwise indicated)

29 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital (continued)

(ii) Share-based payments (continued)

The terms and conditions of the grants are as follows:

			Movement of the number of H Shares under the 2021 Medium and Long-Term Incentive Plan					
Incentive targets	Date of grant	Vesting period	1 January 2023	Granted	Vested	Lapsed	Cancelled	31 December 2023
Directors	6 July 2023	6 July 2023 to 5 July 2024	–	740,000	–	–	–	740,000
Employees	6 July 2023	6 July 2023 to 5 July 2024	–	5,610,382	–	–	–	5,610,382
		Total	–	6,350,382	–	–	–	6,350,382

Restricted shares were granted under certain non-market vesting conditions refer to the announcement of the Company dated 28 September 2021. There were no market vesting conditions associated with the restricted shares granted.

At 31 December 2023, remaining number of treasury shares available for grant under the restricted share incentive plan were 3,748,918 amounted to RMB31,213 thousand.

29 CAPITAL AND RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2023, the Company transferred RMB nil (2022: RMB nil), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) represents the net change in fair value from the reclassification of property, plant and equipment to investment properties (see note 2(h)). During 2023, RMB3,839 thousand (2022: RMB145 thousand) was charged to retained earnings as a result of the disposal of the related investment properties.

(d) Dividends

No dividends were declared, approved or paid during the year (2022: nil).

In accordance with the Company's article of association, in distributing its profit after tax of the relevant financial year, the lower of the profit after tax as shown in the financial statements prepared under IFRS Accounting Standards and PRC accounting standards shall be applied.

29 CAPITAL AND RESERVES (CONTINUED)

(e) Distributability of reserve

As 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was RMB nil (2022: RMB nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and lease liabilities and defines equity as all components of equity of the Group.

The Group's debt-to-equity ratio at 31 December 2023 and 2022 was as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current liabilities:		
Short-term loans and borrowings	**2,652,389**	2,611,283
Lease liabilities	**56,319**	40,623
	2,708,708	2,651,906
Non-current liabilities:		
Long-term loans and borrowings	**914,200**	845,529
Lease liabilities	**143,474**	142,715
Total debt	**3,766,382**	3,640,150
Total equity	**3,185,478**	3,370,299
Debt-to-equity ratio	**118%**	108%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and bills receivable. The Group's exposure to credit risk arising from cash and cash equivalents, restricted and pledged bank deposits is limited because the counterparties are state-owned banks or reputable banks, for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2023 and 2022:

Customer segment – PC Unit Manufacturing

	2023			2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	0.87%	1,445,732	(12,525)	0.61%	1,719,790	(10,499)
1 – 2 years	3.05%	533,696	(16,272)	2.71%	519,738	(14,078)
2 – 3 years	7.41%	252,321	(18,686)	4.85%	265,646	(12,892)
3 – 4 years	12.36%	157,551	(19,478)	16.75%	71,301	(11,940)
4 – 5 years	50.43%	39,409	(19,874)	41.54%	45,168	(18,765)
5 – 6 years	100.00%	34,337	(34,337)	100.00%	27,903	(27,903)
Individually evaluated customers	42.60%	32,283	(13,751)	50.00%	34,292	(17,146)
		2,495,329	(134,923)		2,683,838	(113,223)

Customer segment – PC Equipment Manufacturing

	2023			2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	50.90%	12,455	(6,339)	30.87%	23,480	(7,249)
1 – 2 years	59.81%	17,545	(10,494)	62.70%	20,738	(13,002)
2 – 3 years	82.84%	5,834	(4,833)	95.21%	5,176	(4,928)
Over 3 years	100.00%	114,975	(114,975)	100.00%	136,878	(136,878)
		150,809	(136,641)		186,272	(162,057)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (continued)

Customer segment – Modular Integrated Products Manufacturing

	2023			2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	**1.06%**	**9,758**	**(103)**	0.91%	12,899	(117)
1 – 2 years	**4.11%**	**8,132**	**(334)**	5.78%	3,667	(212)
Over 2 years	**10.57%**	**2,450**	**(259)**	–	–	–
		20,340	**(696)**		16,566	(329)

Customer segment – Digital EPC

	2023			2022		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	**1.06%**	**26,913**	**(286)**	1.00%	3,834	(38)
		26,913	**(286)**		3,834	(38)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At 31 December 2023, the Group had sufficient unutilised banking facilities amounted to RMB2,137,209 thousand from various banks and financial institutions in the PRC. The Group implement certain measures to improve the liquidity position. As explained in note 2(b), the Group expected net cash inflows from operating activities for future 12 months starting from the end of the current reporting period; the Group will continue to implement measures to accelerate the progress of its PC unit manufacturing contracts on hand, and to speed up the collection of sale proceeds and other receivables; the Group continues adopting strict controls on its expenditure of investing activities; and the Group expects to obtain additional cash inflows from disposal of investment properties in 2024.

Taking into consideration of above, the Directors are in the opinion that the Group will have sufficient working capital to finance its operation and to meet its financial obligation as and when they fall due within twelve months from 31 December 2023.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at 31 December RMB'000
Bank loans and other borrowings	**2,725,748**	**758,847**	**180,458**	**–**	**3,665,053**	**3,566,589**
Trade and other payables other than interest payable	**1,503,858**	**–**	**–**	**–**	**1,503,858**	**1,503,858**
Lease liabilities	**66,221**	**26,769**	**56,543**	**101,522**	**251,055**	**199,793**
	4,295,827	**785,616**	**237,001**	**101,522**	**5,419,966**	**5,270,240**

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at 31 December RMB'000
Bank loans and other borrowings	2,682,444	872,970	–	–	3,555,414	3,456,812
Trade and other payables other than interest payable	2,115,441	–	–	–	2,115,441	2,115,441
Lease liabilities	49,965	29,919	159,813	–	239,697	183,338
	4,847,850	902,889	159,813	–	5,910,552	5,755,591

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2023		2022	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate instruments:				
Deposits placed with banks	–	–	0.31% ~ 2.16%	9,000
Long-term receivables	–	–	3.00% ~ 5.50%	2,006
Bank loans and other borrowings	0.00% ~ 4.70%	(2,118,901)	0.00% ~ 14.40%	(1,951,118)
Lease liabilities	5.00% ~ 5.50%	(199,793)	5.00% ~ 5.50%	(183,338)
		(2,318,694)		(2,123,450)
Variable rate instruments:				
Cash at bank	0.00% ~ 1.55%	378,415	0.01% ~ 2.10%	350,003
Bank loans and other borrowings	3.20% ~ 5.16%	(1,447,688)	3.50% ~ 5.16%	(1,505,694)
		(1,069,273)		(1,155,691)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and decreased/increased retained profits by approximately RMB8,020 thousand (2022: increased/decreased the Group's loss after tax and decreased/increased retained profits by approximately RMB8,668 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2022.

(d) Currency risk

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. No material foreign exchange exposure and foreign currency risk are recognised at 31 December.

(e) Fair value measurement

(i) Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (continued)

(i) Fair value hierarchy (continued)

	2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Recurring fair value measurement				
Investment properties	–	–	199,257	199,257
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,426,060	1,426,060
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	1,500	1,500

	2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties (including assets held for sale)	–	–	254,885	254,885
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,620,395	1,620,395
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	1,754	1,754

During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in RMB unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (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 60% (2022: 0% to 70%)	Discount rate: 27% (2022: 26%)
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: 0.44 to 1.32 (2022: 0.77 to 1.32) P/E ratio: 2.82 to 14.79 (2022: 3.04 to 14.42) EV/S ratio: 0.27 to 1.11 (2022: 0.32 to 1.97)	P/IC ratio: 0.98 (2022: 1.00) P/E ratio: 9.16 (2022: 8.82) EV/S ratio: 0.62 (2022: 0.78)
	Cost approach (Net asset method)	Discount for lack of marketability	The higher the discount for lack of Marketability, the lower the fair value	Discount for lack of Marketability: 0.3 (2022: 0.3)	Discount for lack of Marketability: 0.3 (2022: 0.30)
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 values of investment properties of car parking portion are determined by using (i) income capitalisation approach which capitalised the net income of the properties and took into account the significant adjustments on reversionary yield to account for the risk upon reversion; or, (ii) direct comparison approach by making reference to recent sales price of comparable properties on a price per lot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. Higher premium for buildings of higher quality will result in higher fair values.

The movements during the period in the balance of investment properties is disclosed in note 11.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (continued)

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

The fair value of 45 unlisted equity investments measured at FVPL 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 6 unlisted equity investments measured at FVPL 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 1 equity investments from market approach to cost approach as market approach was no longer applicable for them.

In addition, the significant unobservable inputs used in the fair value measurements of 5 equity investments measured at FVPL were changed from P/IC ratio to P/E ratio. The reason for making the change is that the development status of these entities were transferred from the initial operation period to rapid development period in 2023. Comparable company method using P/E ratio is the appropriate valuation technique for the entities in rapid development period.

The fair value measurement is positively correlated to the P/IC ratio, EV/S ratio, P/E ratio and negatively correlated to discount for lack of marketability. As at 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio, P/E ratio, EV/S ratio and decrease/increase in discount for lack of marketability by 1% would have decreased/increased the Group's valuation losses on equity investments by RMB12,121 thousand (2022: RMB13,773 thousand).

The movements during the year in the balance of unlisted equity investments is as follows:

	2023 **RMB'000**	2022 RMB'000
Unlisted equity investments		
At 1 January	**1,620,395**	1,939,836
Payment for purchases	**17,657**	51,900
Investment returns	**(500)**	(6,000)
Changes in fair value recognised in profit or loss during the year	**(74,038)**	(365,341)
Disposal during the year	**(137,454)**	–
At 31 December	**1,426,060**	1,620,395

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair value measurement (continued)

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

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 31 December 2023, 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 amortised cost were not materially different from their fair values as at 31 December 2023 and 2022.

31 COMMITMENTS

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 **RMB'000**	2022 RMB'000
Contracted for	**126,999**	225,161

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**4,864**	4,964
Share-based payment	**783**	–
Post-employment benefits	**310**	325
	5,957	5,289

The remuneration is included in "staff costs" (see note 6(b)).

(b) Significant related party transactions

	2023 RMB'000	2022 RMB'000
Sales of products to associates	**151,737**	9,042
Sales of products to entities controlled by a close family member of controlling shareholder	**–**	868
Sales of products to entities controlled by the controlling shareholder	**170**	135
Disposal of subsidiaries to entities controlled by the controlling shareholder	**–**	3,430
Purchase of goods from associates	**5,192**	7,813
Purchase of goods from entities controlled by a close family member of controlling shareholder	**193**	48
Purchase of goods from entities controlled by the controlling shareholder	**6,344**	7,095
Lease of properties from associates	**630**	–
Lease of properties from entities controlled by the controlling shareholder	**1,519**	310

32 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	2023 RMB'000	2022 RMB'000
Trade debtors	**59,075**	17,977
Prepayments	**19,080**	447
Other receivables	**7,124**	33,069
Trade creditors	**(12,650)**	(15,913)
Bills payable	**(1,135)**	(100)
Contract liabilities	**(5,983)**	(11,652)
Other payables	**(3)**	(12,612)
	(65,508)	11,216

(d) Guarantee provided by related parties

	Note	2023 RMB'000	2022 RMB'000
Loans and borrowings			
– Co-guaranteed by Mr. Zhang Jian and Mrs. Liu Hui	24	**1,077,300**	1,054,100
– Guaranteed by Mr. Zhang Jian	24	**519,400**	589,600
– Co-guaranteed by the Hunan Broad Lingmu House Equipment Co., Ltd. and Mr. Zhang Jian and Mrs. Liu Hui.	24	**–**	50,000
		1,596,700	1,693,700

(e) Applicability of the Listing Rules relating to connected transactions

The related party transaction entered into between the Group and Hunan Broad Lingmu House Equipment Co., Ltd. and Zhangjiajie Blue Harbor Real Estate Development Co., Ltd. above constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

The related party transactions in respect of Changsha Broad Bathroom Co., Ltd. above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions and continuing connected transactions" of the Report of the Board.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investment properties	184,717	224,536
Property, plant and equipment	282,822	238,230
Intangible assets	98,373	108,126
Right-of-use assets	96,755	100,005
Investments in subsidiaries	1,887,700	1,858,322
Interest in associates	302,548	380,385
Financial assets at fair value through profit or loss	1,373,560	1,571,295
Restricted and pledged bank deposits	–	5,000
Deferred tax assets	26,507	28,668
Total non-current assets	4,252,982	4,514,567
Current assets		
Inventories	44,374	52,396
Trade and other receivables	2,136,791	2,295,643
Restricted and pledged bank deposits	144,741	250,143
Cash and cash equivalents	143,398	329,674
	2,469,304	2,927,856
Assets classified as held for sale	–	30,349
Total current assets	2,469,304	2,958,205
Total assets	6,722,286	7,472,772

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	2023 RMB'000	2022 RMB'000
Current liabilities		
Short-term borrowings	2,212,580	2,429,486
Trade and other payables	1,063,071	1,379,922
Contract liabilities	44,736	49,911
Lease liability	–	48
Deferred income	1,727	1,727
Total current liabilities	3,322,114	3,861,094
Net current liabilities	(852,810)	(902,889)
Total assets less current liabilities	3,400,172	3,611,678
Non-current liabilities		
Long-term borrowings	909,800	763,400
Lease liability	–	206
Deferred income	12,859	14,587
Deferred tax liabilities	7,618	20,382
Total non-current liabilities	930,277	798,575
NET ASSETS	2,469,895	2,813,103
CAPITAL AND RESERVES		
Share capital	487,639	487,639
Reserves	1,982,256	2,325,464
TOTAL EQUITY	2,469,895	2,813,103

Approved and authorised for issue by the board of directors on 28 March 2024.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

(Expressed in RMB unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*	1 January 2024
Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Appendix I Particulars of Properties held by the Group

Property	Location	Purpose	Approximate gross floor area (m²)	Interests held by the Group (%)	Term of ownership
Long-term covenants in PRC					
1st/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	1971.1	100	40
2nd/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	4236.3	100	40
3rd/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	189.6	100	40