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
INTERIM REPORT

Contents

Definitions

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

"AGM"	the 2022 annual general meeting of the Company held at 10:00 a.m. on May 12, 2023
"Articles of Association"	the current prevailing articles of association of the Company
"Audit Committee"	the audit committee of the Company, one of the special committees of the Board
"Auditor"	KPMG, the independent auditor of the Company
"B-house"	prefabricated villa products of Broad House
"B2B"	a business model in which enterprises exchange and transmit data and information and carry out trading activities through private networks or the Internet
"B2C"	enterprises providing consumers with a new shopping environment through the Internet
"BIM"	the building information model, a process involving the generation and management of digital representations of physical and functional characteristics of places
"Board"	the board of Directors of the Company
"BOX"	standard modular houses that use high-tech silicon-based composite materials and can be moved, disassembled and reused
"Broad Bathroom"	Changsha Broad Bathroom Co., Ltd. (長沙遠大整體浴室有限公司)
"Broad Homes Mofang"	Changsha Broad Homes Mofang Technology Co., Ltd. (長沙遠大魔方科技有限公司), a wholly-owned subsidiary of the Company
"Broad Homes United Program"	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
"China" or "PRC"	the People's Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"Company" or "Broad Homes"	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015

Definitions

"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules
"Creating Value with Our Client"	proposal to assist target customers to optimize products and realize effective connection between technology and market and to provide services to Joint Factories, promote project cooperation and establish a long-term mechanism to ensure profitability
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "we/us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign investment share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Internet +"	"Internet + various traditional industries", leveraging information and communication technologies and Internet platforms to make the Internet and traditional industries deeply integrated to create a new development ecology
"Joint Factory(ies)"	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory that operates and manages as context requires
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange

Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Nomination Committee"	the nomination committee of the Company, one of the special committees of the Board
"Over-allotment Option"	the option granted by the Company in the Global Offering to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The Company issued 167,400 H Shares from partial exercise of the over-allotment option on November 28, 2019
"PC" or "prefabricated concrete"	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
"PC-CPS"	cyber-physical-system, an intelligent system to manage the operation and production
"prefabricated building"	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
"Prospectus"	the prospectus of the Company dated October 24, 2019
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Reporting Period"	six months ended June 30, 2023
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company, one of the special committees of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen SASAC"	the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen (深圳市人民政府國有資產監督管理委員會)

"Strategy Committee"	the strategy committee of the Company, one of the special committees of the Board
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"two-level management strategy"	management model of the Joint Factories with one level being Joint Factories with significant influence and the other being Joint Factories without significant influence
"VAT"	value-added tax
"%"	percent

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

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

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

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

Company Profile

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

Through years of industrialized exploration, the Company has accumulated industry-leading software and hardware technologies. In particular, the Company is the first to develop and utilize the PC-CPS, 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)*
Ms. Tang Fen *(Vice Chairperson)*
Mr. Hu Shengli *(Vice Chairperson and President)*
Ms. Shi Donghong *(Vice President, Chief Financial Officer, Secretary to the Board and Joint Company Secretary)*
Mr. Zhang Kexiang *(Vice President)*
Mr. Tan Xinming *(Vice President)*

Non-executive 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. Zhang Jian
Mr. Chen Gongrong

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Zhang Jian *(Chairman)*
Ms. Tang Fen
Mr. Hu Shengli

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

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

INVESTORS RELATIONS

ir@bhome.com.cn

COMPANY WEBSITE

www.bhome.com.cn

STOCK CODE

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

LISTING DATE

November 6, 2019

Financial Summary and Operating Highlights

1. FINANCIAL PERFORMANCE

	Six months ended		
	June 30, 2023 RMB'000	June 30, 2022 RMB'000	Year-on-year change %
Revenue	**939,241**	959,621	-2.1%
Gross profit	**211,572**	182,858	15.7%
Loss from operations	**(38,152)**	(162,890)	-76.6%
Loss before taxation	**(113,712)**	(340,313)	-66.6%
Net loss	**(104,994)**	(331,032)	-68.3%
Net loss for the period attributable to the followings			
Shareholders of the Company	**(102,780)**	(327,667)	-68.6%
Non-controlling shareholders	**(2,214)**	(3,365)	-34.2%
Gearing ratio *(Note)*	**63.9%**	59.8%	4.1 percentage points

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

2. FINANCIAL INFORMATION BY BUSINESS SEGMENT

	Six months ended					
	June 30, 2023			June 30, 2022		
	Revenue	**Gross profit**	**Gross profit margin**	Revenue	Gross profit	Gross profit margin
	(in RMB'000, except %)			(in RMB'000, except %)		
PC unit manufacturing	**817,063**	**178,948**	**21.9%**	893,508	174,794	19.6%
PC equipment manufacturing	**648**	**199**	**30.7%**	28,702	7,569	26.4%
Modular integrated product manufacturing	**29,796**	**(44)**	**–0.1%**	37,411	495	1.3%
Digital EPC	**91,734**	**32,469**	**35.4%**	–	–	–

3. FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the six months ended June 30, 2023 are set out below:

Revenue decreased by 2.1% from RMB959.6 million for the six months ended June 30, 2022 to RMB939.2 million for the six months ended June 30, 2023.

Revenue of PC unit manufacturing business decreased by 8.6% from RMB893.5 million for the six months ended June 30, 2022 to RMB817.1 million for the six months ended June 30, 2023.

Revenue of modular integrated product manufacturing business decreased by 20.4% from RMB37.4 million for the six months ended June 30, 2022 to RMB29.8 million for the six months ended June 30, 2023.

Digital EPC business is our new business, and recorded revenue of RMB91.7 million for the six months ended June 30, 2023.

Gross profit increased by 15.7% from RMB182.9 million for the six months ended June 30, 2022 to RMB211.6 million for the six months ended June 30, 2023; and gross profit margin increased from 19.1% for the six months ended June 30, 2022 to 22.5% for the six months ended June 30, 2023.

Loss from operations decreased by 76.6% from a loss of RMB162.9 million for the six months ended June 30, 2022 to a loss of RMB38.2 million for the six months ended June 30, 2023.

Net loss decreased by 68.3% from a loss of RMB331.0 million for the six months ended June 30, 2022 to a loss of RMB105.0 million for the six months ended June 30, 2023.

Net cash generated from operating activities increased by 77.1% from RMB178.0 million for the six months ended June 30, 2022 to RMB315.3 million for the six months ended June 30, 2023.

4. OPERATING HIGHLIGHTS

Our operating highlights for the six months ended June 30, 2023 are set out below:

New and incomplete contracts

	Six months ended		
	June 30, 2023 RMB million	June 30, 2022 RMB million	Year-on-year change
New contracts of the PC unit manufacturing business	**1,480.3**	967.5	53.0%
New contracts of the digital EPC business	**225.2**	150.0	50.1%
New contracts of the modular integrated product manufacturing business	**144.6**	131.9	9.6%

	As at		
	June 30, 2023 RMB million	June 30, 2022 RMB million (restated)[Note]	Year-on-year change
Incomplete contracts of the PC unit manufacturing business	**4,993.3**	4,720.9	5.8%
Incomplete contracts of the digital EPC business	**277.6**	150.0	85.1%
Incomplete contracts of the modular integrated product manufacturing business	**265.5**	150.6	76.3%

Note: When calculating the incomplete contracts of the PC unit manufacturing business of the Group as at December 31, 2022, certain orders with uncertainty in performance have been excluded, and accordingly, the incomplete contracts as at June 30, 2022 have been retrospectively reduced by RMB1,704.4 million.

Financial Summary and Operating Highlights

Total new contract amount of our PC unit manufacturing business increased by 53.0% from RMB967.5 million for the six months ended June 30, 2022 to RMB1,480.3 million for the six months ended June 30, 2023.

Total new contract amount of our digital EPC business increased by 50.1% from RMB150.0 million for the six months ended June 30, 2022 to RMB225.2 million for the six months ended June 30, 2023.

Total new contract amount of our modular integrated product manufacturing business increased by 9.6% from RMB131.9 million for the six months ended June 30, 2022 to RMB144.6 million for the six months ended June 30, 2023.

Total incomplete contracts amount of our PC unit manufacturing business increased by 5.8% from RMB4,720.9 million for the six months ended June 30, 2022 to RMB4,993.3 million for the six months ended June 30, 2023.

Total incomplete contracts amount of our digital EPC business increased by 85.1% from RMB150.0 million for the six months ended June 30, 2022 to RMB277.6 million for the six months ended June 30, 2023.

Total incomplete contracts amount of our modular integrated product manufacturing business increased by 76.3% from RMB150.6 million for the six months ended June 30, 2022 to RMB265.5 million for the six months ended June 30, 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 3.0% from 369,000 cubic meters for the six months ended June 30, 2022 to 358,000 cubic meters for the six months ended June 30, 2023. The sales volume of our PC units decreased by 3.3% from 392,000 cubic meters for the six months ended June 30, 2022 to 379,000 cubic meters for the six months ended June 30, 2023.

Our production line utilization rate increased from 35.4% for the six months ended June 30, 2022 to 37.5% for the six months ended June 30, 2023, primarily attributable to the fact that we optimized the production lines of the Fuyang factory.

Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business review

In the first half of 2023, against the backdrop of an overall downturn in the industry, Broad Homes actively addressed difficulties and propelled its own iteration and transformation from providing overall prefabricated construction solutions to offering intelligent construction. We also improved our organizational management performance by launching the "Battle of Beijing" campaign and setting up the "Beijing, Xinpu Broad Homes and Anhui Supporting Teams", achieved significant progress in lean improvement by taking the Chenzhou Factory as an example, and steadily improved our digitalization capability through the continuous delivery of EPC projects, with the overall operation showing a stabilizing and improving trend.

In the first half of the year, despite a slight year-on-year decrease in revenue, we achieved a rapid growth in PC contract orders against the trend and significantly reduced losses. Meanwhile, we took multiple measures to actively promote collection of payments. The net cash flow generated from operating activities increased by 77.1% from RMB178 million for the same period of last year to RMB315.3 million in the current period. In addition to maintaining our existing business, we actively expanded into new business areas, leading to 53% increase in new contracts for PC unit business and 50.1% increase in new contract value for digital EPC business.

PC unit manufacturing

The revenue from PC unit manufacturing business decreased by 8.6% from RMB893.5 million for the six months ended June 30, 2022 to RMB817.1 million for the six months ended June 30, 2023; and the revenue from this segment as a percentage of total revenue decreased from 93.1% for the six months ended June 30, 2022 to 86.9% for the six months ended June 30, 2023. The gross profit of PC unit manufacturing business increased by 2.4% from RMB174.8 million for the six months ended June 30, 2022 to RMB178.9 million for the six months ended June 30, 2023, and the gross profit margin increased from 19.6% for the six months ended June 30, 2022 to 21.9% for the six months ended June 30, 2023.

PC equipment manufacturing

The revenue from PC equipment manufacturing business decreased by 97.7% from RMB28.7 million for the six months ended June 30, 2022 to RMB0.6 million for the six months ended June 30, 2023.

Modular integrated product manufacturing business

The revenue from modular integrated product manufacturing business decreased by 20.4% from RMB37.4 million for the six months ended June 30, 2022 to RMB29.8 million for the six months ended June 30, 2023.

Digital EPC business

Digital EPC business is our new business and recorded revenue of RMB91.7 million for the six months ended June 30, 2023.

The "Broad Homes United Program"

As of June 30, 2023, we had contributed to 61 Joint Factories, 59 of which were capable of commercial production and 8 achieved profitability for the six months ended June 30, 2023.

Prospect and strategies

In the second half of the year, Broad Home will continue to leverage its multiple advantages in production capacity and technological accumulation. In particular, it will steadily develop its PC business focusing on the incremental construction of urban affordable housing. At the same time, it will continue to concentrate on industrial parks and campuses, and firmly expand its digital EPC business. In addition, in line with the trend of "digitalization + AI," it will increase the practical application of the CPS+ system management model. Meanwhile, it will also focus inward, strengthen internal capabilities, and continue to make key plans for the second half of the year by centering on major tasks such as comprehensive budget management, organizational capability building, market and brand strategies, technological research and development, digitalization and large-scale manufacturing. By continuously strengthening execution based on three main criteria of quantifiability, assessability, and non-delegability, we aim to implement the business value objective of "real, healthy and positive trend in the long run".

1. ***The perceptible significant improvement in organizational capabilities has yielded initial results in the transition of our main business from "lean production in specific areas" to "overall lean operations"***

In the first half of the year, we implemented several specific measures such as fully facilitating comprehensive budget management, organizational transformation, the establishment of support teams and special committees, and the implementation of lean benchmarking system with "Chenzhou Factory's four consecutive years of profitability" as the example. These initiatives, coupled with the continuous improvement of the implicit curve of organizational ability, have contributed to the steady growth of the explicit curve of performance. As a result, we have achieved notable business results, including a cumulative cost reduction of RMB12 million through lean practices, a 9% decrease in overall operating costs compared to the same period of last year, a reduction of RMB5.8 million in molding cost, and the Green Building Materials Product Certification (National Three-Star Level) and Product Certification achieved by our Changshu Factory.

In the second half of the year, we will continue to firmly implement key initiatives such as closed-loop target management, structural downsizing for increased efficiency, empowerment by benchmarking cases of lean improvement, ongoing support for supporting teams, and the introduction of an excellent performance management model. These efforts will further strengthen our organizational capabilities and contribute to making breakthrough and achieving success. We plan to save a total of RMB20 million in labour costs throughout the year, aiming to achieve a significant leap in overall operational efficiency.

2. ***Focusing on maintaining rapid growth and consolidating foundation of the PC business, and strategically expanding into innovative businesses of digital EPC and modular construction to establish a second growth curve***

At the beginning of the year, we proposed the goal of achieving "contracts with revenue, revenue with profit, and profit with cash flow" in our main business to fully demonstrate that the mature PC business is a profitable and cash-generating venture. As we reach the halfway point of the year, we have made breakthroughs in terms of orders, revenue, profit margins, expense control, and substantial reduction in losses. By strengthening budgeting, performance indicators, management and execution, we have ensured the Company's operational cash flow safety and basic solvency, leading to a stabilization and rebound in the performance of our main business and the initial formation of the second growth curve.

(i) PC business

Stabilizing the foundation of our main PC business and ensuring and consolidating our leading position in terms of market share in the PC market remain our core objective for 2023. In the second half of the year, the Company will drive the sound operation of its main business with the dual drivers of the cooperation strategy of vertical and horizontal collaboration and the tactical approach of reshaping the business management model, build strategic cooperation alliance, establish the industry ecosystem and regional barriers, and break free from the passive situation of being exposed to the risk of liquidity transfer and falling into a cash flow crisis, thereby achieving a positive trend in the long run.

(ii) Digital EPC business

In March 2023, for our digital EPC business, we secured the Dongfang College North Campus Student Dormitory Phase II project, which was a repeat purchase project with a contract sum of over RMB100 million. Meanwhile, we successively implemented the Changde Economic Development Zone Medical Device Park project and Changsha Palette project in Hunan, Hubei Huanggang Yili project, Hainan Danzhou project, and Guangdong Guangneng project.

In the second half of the year, we will further implement policies related to industry, innovation, land, finance, and other aspects in line with the “14th Five-Year Plan for the Development of Construction Industry”, continue to focus on key areas such as “Two Parks Construction” and “Digital Housing Construction” and intensify our efforts to achieve breakthroughs in all digital EPC projects of our direct subsidiaries.

(iii) Modular building business

Targeting the “Rural and Overseas” and “Two Parks” markets, we will enhance the value of our products, reduce costs through new materials, technologies and processes, and provide high-quality products for human living space.

The “Rural and Overseas” markets mainly refer to rural revitalization market and overseas market.

For rural revitalization market, in June 2023, Broad Homes Mofang introduced new Chinese-style Mofang villa products, namely, Shengshi Huating and Boya series. These series are primarily themed around traditional Chinese culture and are highly favored by the rural population in terms of functionality and design. The use of new materials has significantly reduced the weight of the products, lowering the requirements for road transportation and crane operations and making transportation simple and convenient. This has effectively solved the delivery issues for over 80% of customers, while reducing transportation costs by over 70%. Technological innovations have brought ultra-high efficiency, resulting in an average price reduction of 30%-50% for the products, making the new Chinese-style villa products affordable for everyone. As of now, Broad Homes Mofang has completed the layout of three major villa styles, namely Bauhaus style with modern design, new Chinese-style with China chic design, and new European-style with palace design, to meet the demand for 5 million self-built houses in the market each year.

For overseas market, Broad Homes Mofang actively expands its presence and has signed cooperation memorandums and strategic agreements with several countries, including the United States, New Zealand, and Turkey, to carry out in-depth collaborations on projects. On July 28, 2023, the “Technical Standards for Ultra-High Performance Concrete Integrated Modular Construction” (draft for review) successfully passed the review by the China Association for Engineering Construction Standardization. This achievement has created favorable conditions for further promoting the application of Mofang products nationwide and globally.

The “Two Parks” markets mainly refer to industrial parks and campuses, and Broad Homes Mofang provides cost-effective and high-quality apartment products for such markets. Leveraging the advantages of fast delivery, affordability, and budget-based pricing, Broad Homes Mofang apartments have a competitive edge and promising market prospects.

3. *Adopting technology-based and innovation-driven approaches to continue to consolidate our technological advancement in the field of prefabricated construction and provide intelligent and scenario-based construction solutions for the future*

In the first half of the year, the “Atlas of Full Process Standardized Product Series for University Student Dormitory in Hunan Province” compiled by Broad Homes successfully passed the review. At the same time, the project of “General Technical Requirements for Prefabricated Ultra-High Performance Concrete” (product standard) in Hunan Province was established, and 58 patent applications were reviewed and submitted. Furthermore, Broad Homes achieved two groundbreaking accomplishments by being recognized as the 2023 Benchmark Enterprise for the “Three Products” in Raw Materials Industry in Hunan Province and the Modular Construction Intelligent Building Technology Innovation Center in Changsha.

In the second half of the year, we will continue to carry out design optimization for the bolted multi-story concrete wallboard structure system and the modular structure system. We plan to apply for being recognized as the Engineering Technology Research Center in Hunan Province and strive to develop the “prefabricated PC unit” as a champion product in the manufacturing industry in China. Additionally, we will submit application for the intelligent construction project in Changsha and focus on key tasks such as submitting 50 patent applications, so as to continuously consolidate Broad Homes’ leading technological capabilities in the field of prefabricated construction.

4. *Continuously implementing advanced digital production methods to achieve continuous iteration of EPC-CPS whole-process intelligent construction capabilities and breakthrough in business scenarios*

By continuously deepening its digital iteration capabilities, the Company has essentially completed the development of EPC-CPS 1.0 version and successfully applied such system in 8 digital EPC projects. In particular, for the pilot project of phase two of Beijing University of Chinese Medicine Dongfang College, we implemented the “three-in-one” (work order, material list, invoice) and “five-fixed” (fixed location, fixed time, fixed quantity, fixed personnel, fixed price) principles, and took only 72 days to complete the delivery of four buildings and 1,086 fully furnished student apartments, with a total gross floor area of 43,821.04 square meters. Through a precise retrospective analysis of the phase one project, a remarkable turnaround was achieved with final costs lower than the budget: the quality and efficiency of unit production significantly improved, installation efficiency increased by 32%, construction efficiency above ground improved by 36%, and direct costs recorded year-on-year decrease of 5.45%. The digital EPC capabilities of Broad Homes are gradually transitioning from being “fast, good, and controllable” to “fast, good, and cost-effective.”

In the second half of the year, we will continue to enhance the functionality of the EPC-CPS system, achieve continuous iteration of intelligent construction capability of fully prefabricated EPC projects in the whole project cycle of "design-construction-supply-production-construction", and strive to make a breakthrough for the first-time application in non-fully prefabricated EPC projects, aiming to demonstrate Broad Homes' core capabilities of digital construction to lead efficiency improvements in the construction industry.

In the second half of 2023, with the central government clearly stating the objectives of "ensuring delivery of residential properties, stabilizing people's livelihoods, and establishing a new model for real estate development," many local governments successively introduced detailed policies such as "relaxing restrictions on property purchases, loans, and prices," and "reducing down payment ratios and mortgage interest rates" in order to actively boost market confidence. At the same time, the "Guiding Opinions on Promoting the Transformation of Urban Villages in Megacities and Super-large Cities" was considered and approved at the executive meeting of the State Council, marking a new stage in China's urban development that shifts the focus from large-scale incremental construction to equal emphasis on improvement and transformation of existing buildings and structural adjustment of incremental construction. Broad Homes will closely follow the expanded scope of policies, adhere to a long-term perspective, focus on improving people's livelihoods, serve the expansion of domestic demand, actively integrate into the new round of urban renewal, and utilize digital construction technologies to empower the transformation and upgrade of the industry value chain, thereby achieving better performance in quality improvement, cost reduction and efficiency enhancement. Meanwhile, we will make breakthrough in innovative EPC business and continue to accelerate our transformation and the implementation of our achievements. We will remain steadfast in adhering to our planned objectives and spare no effort in achieving high-quality positive growth.

2. RESULTS OF OPERATIONS

The table below sets out a summary of consolidated results of operations for the six months ended 30 June 2023 and 2022:

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Revenue	**939,241**	959,621
Cost of sales	**(727,669)**	(776,763)
Gross profit	**211,572**	182,858
Net valuation gains on investment properties	**15,157**	1,180
Other net income	**8,254**	16,944
Sales and distribution expenses	**(104,636)**	(118,563)
General and administrative expenses	**(118,305)**	(191,249)
Research and development expenses	**(50,194)**	(54,060)
Loss from operations	**(38,152)**	(162,890)
Finance costs	**(56,785)**	(62,490)
Fair value changes on financial assets at fair value through profit or loss	**(10,256)**	(99,668)
Share of profits less losses of associates	**(4,299)**	(17,411)
Gains on disposal of a subsidiary	**–**	2,146
Losses on disposal of financial assets at fair value through profit or loss	**(4,220)**	–
Loss before taxation	**(113,712)**	(340,313)
Income tax	**8,718**	9,281
Loss for the period	**(104,994)**	(331,032)
Including: attributable to shareholders of the Company	**(102,780)**	(327,667)
attributable to non-controlling shareholders	**(2,214)**	(3,365)
Basic and diluted earnings per share (RMB)	**(0.22)**	(0.67)

Revenue

Our revenue decreased by 2.1% from RMB959.6 million for the six months ended June 30, 2022 to RMB939.2 million for the six months ended June 30, 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):

	Six months ended			
	June 30, 2023		June 30, 2022	
	Amount RMB'000	As a percentage of total revenue	Amount RMB'000	As a percentage of total revenue
PC unit manufacturing	**817,063**	**86.9%**	893,508	93.1%
PC equipment manufacturing	**648**	**0.1%**	28,702	3.0%
Modular integrated product manufacturing business	**29,796**	**3.2%**	37,411	3.9%
Digital EPC	**91,734**	**9.8%**	–	–
Revenue	**939,241**	**100.0%**	959,621	100.0%

The revenue from PC unit manufacturing business decreased by 8.6% from RMB893.5 million for the six months ended June 30, 2022 to RMB817.1 million for the six months ended June 30, 2023; and the revenue from this segment as a percentage of total revenue decreased from 93.1% for the six months ended June 30, 2022 to 86.9% for the six months ended June 30, 2023. The decrease in revenue was primarily attributable to (i) the decrease in sales volume due to slowdown in progress of certain projects; and (ii) the slight decrease in overall unit selling prices.

The revenue from PC equipment manufacturing business decreased by 97.7% from RMB28.7 million for the six months ended June 30, 2022 to RMB0.6 million for the six months ended June 30, 2023; and the revenue from this segment as a percentage of total revenue decreased from 3.0% for the six months ended June 30, 2022 to 0.1% for the six months ended June 30, 2023, which was mainly due to completion of the nationwide strategic layout of the Joint Factories, which decreased their demand for PC equipment.

The revenue from modular integrated product manufacturing business decreased by 20.4% from RMB37.4 million for the six months ended June 30, 2022 to RMB29.8 million for the six months ended June 30, 2023; and the revenue from this segment as a percentage of total revenue decreased from 3.9% for the six months ended June 30, 2022 to 3.2% for the six months ended June 30, 2023.

Digital EPC business is our new business and recorded revenue of RMB91.7 million for the six months ended June 30, 2023.

Cost of sales

Our cost of sales decreased by 6.3% from RMB776.8 million for the six months ended June 30, 2022 to RMB727.7 million for the six months ended June 30, 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):

	Six months ended			
	June 30, 2023		June 30, 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	**638,115**	**87.7%**	718,714	92.5%
PC equipment manufacturing	**449**	**0.1%**	21,133	2.7%
Modular integrated product manufacturing business	**29,840**	**4.1%**	36,916	4.8%
Digital EPC	**59,265**	**8.1%**	–	–
Cost of sales	**727,669**	**100.0%**	776,763	100.0%

The cost of sales of PC unit manufacturing business decreased by 11.2% from RMB718.7 million for the six months ended June 30, 2022 to RMB638.1 million for the six months ended June 30, 2023, which was mainly due to (i) the decrease in cost resulting from decrease in revenue; and (ii) our continuous implementation of cost reduction and efficiency enhancement measures.

The cost of sales of PC equipment manufacturing business decreased by 97.9% from RMB21.1 million for the six months ended June 30, 2022 to RMB0.4 million for the six months ended June 30, 2023, which was mainly due to the decrease in costs as a result of the decrease in revenue.

The cost of sales of modular integrated product manufacturing business decreased by 19.2% from RMB36.9 million for the six months ended June 30, 2022 to RMB29.8 million for the six months ended June 30, 2023, which was mainly due to the decrease in costs as a result of the decrease in revenue.

The cost of sales of digital EPC business amounted to RMB59.3 million for the six months ended June 30, 2023.

Gross profit and gross profit margin

Our gross profit increased by 15.7% from RMB182.9 million for the six months ended June 30, 2022 to RMB211.6 million for the six months ended June 30, 2023; and gross profit margin increased from 19.1% for the six months ended June 30, 2022 to 22.5% for the six months ended June 30, 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:

	Six months ended			
	June 30, 2023		June 30, 2022	
	Amount RMB'000	**Gross profit margin**	Amount RMB'000	Gross profit margin
PC unit manufacturing	**178,948**	**21.9%**	174,794	19.6%
PC equipment manufacturing	**199**	**30.7%**	7,569	26.4%
Modular integrated product manufacturing business	**(44)**	**-0.1%**	495	1.3%
Digital EPC	**32,469**	**35.4%**	–	–
Gross profit and gross profit margin	**211,572**	**22.5%**	182,858	19.1%

Gross profit from PC unit manufacturing business increased by 2.4% from RMB174.8 million for the six months ended June 30, 2022 to RMB178.9 million for the six months ended June 30, 2023; and gross profit margin increased from 19.6% for the six months ended June 30, 2022 to 21.9% for the six months ended June 30, 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.

Gross profit from PC equipment manufacturing business decreased by 97.4% from RMB7.6 million for the six months ended June 30, 2022 to RMB0.2 million for the six months ended June 30, 2023; and gross profit margin increased from 26.4% for the six months ended June 30, 2022 to 30.7% for the six months ended June 30, 2023.

Gross profit from modular integrated product manufacturing business decreased by 108.9% from RMB0.5 million for the six months ended June 30, 2022 to RMB-0.04 million for the six months ended June 30, 2023; and gross profit margin decreased from 1.3% for the six months ended June 30, 2022 to –0.1% for the six months ended June 30, 2023, which was mainly due to (i) decrease in revenue; and (ii) higher share of fixed cost.

Gross profit from digital EPC business amounted to RMB32.5 million for the six months ended June 30, 2023, and gross profit margin was 35.4% for the six months ended June 30, 2023.

Net valuation gains on investment properties

We recorded valuation gains on investment properties of RMB15.2 million for the six months ended June 30, 2023, as compared to RMB1.2 million for the six months ended June 30, 2022, which was mainly due to the increase in market value of relevant investment properties.

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. Other income decreased by 51.3% from RMB16.9 million for the six months ended June 30, 2022 to RMB8.3 million for the six months ended June 30, 2023, which was mainly due to certain losses incurred from the disposal of certain investment properties.

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

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Government grants	**10,215**	9,480
Operating lease income from rent of investment properties	**2,608**	4,802
Gains on disposal of property, plant and equipment and right-of-use assets	**390**	102
Losses on disposal of investment properties	**(6,845)**	–
Gains on disposal of other financial assets	**–**	140
Dividend income	**1,980**	1,980
Others	**(94)**	440
Total	**8,254**	16,944

Sales and distribution expenses

Our sales and distribution expenses mainly include freight, staff remuneration and depreciation and amortization, etc. Such expenses decreased by 11.7% from RMB118.6 million for the six months ended June 30, 2022 to RMB104.6 million for the six months ended June 30, 2023, and such expenses as a percentage of our revenue decreased from 12.4% to 11.1%, 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 sales and distribution expenses for the periods indicated:

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Freight	**48,428**	47,066
Staff remuneration	**31,680**	39,041
Operation cost, promotion fee, etc.	**17,684**	21,839
Depreciation and amortization	**3,196**	1,902
After-sale service fee	**379**	1,716
Vehicle utilization fee	**908**	1,037
Others	**2,361**	5,962
Total	**104,636**	118,563

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 decreased by 38.1% from RMB191.2 million for the six months ended June 30, 2022 to RMB118.3 million for the six months ended June 30, 2023, and such expenses as a percentage of our revenue decreased from 19.9% to 12.6%, which was mainly due to (i) the decrease in impairment loss resulting from improvement of receivables; and (ii) our continuous implementation of cost reduction and efficiency enhancement measures.

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

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Staff remuneration	**29,886**	35,911
Business taxes and surcharges	**11,364**	11,728
Depreciation and amortization	**40,092**	34,894
Impairment losses	**(3,205)**	74,200
Office expenses, travel expenses	**7,768**	8,516
Intermediary consulting fees	**17,683**	13,338
Others	**14,717**	12,662
Total	**118,305**	191,249

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 6.7% from RMB83.5 million for the six months ended June 30, 2022 to RMB77.9 million for the six months ended June 30, 2023. For the six months ended June 30, 2023 and 2022, RMB50.2 million and RMB54.1 million of our research and development expenses were incurred, respectively, and RMB27.7 million and RMB29.4 million of our research and development expenses were capitalized, accounting for 35.6% and 35.2% of our total research and development expenses, respectively. We continued 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:

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Staff remuneration	**33,838**	38,489
Experiment and material costs	**36,888**	34,730
Depreciation and amortization	**3,224**	3,659
Others	**3,965**	6,612
Total research and development expenses	**77,915**	83,490
Capitalization of research and development expenses	**(27,721)**	(29,430)
Total	**50,194**	54,060

Finance costs

Our finance costs consist primarily of interest on bank loans and other borrowings and interest on lease liabilities. Finance costs decreased by 9.1% from RMB62.5 million for the six months ended June 30, 2022 to RMB56.8 million for the six months ended June 30, 2023, which was mainly due to the increase in capitalized interest.

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

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Interest on bank loans and other borrowings	**68,533**	67,481
Interest expense on lease liabilities	**5,153**	4,151
Interest income	**(5,660)**	(5,601)
Net foreign exchange gain	**(10)**	(3,541)
Less: Capitalized interest	**(11,231)**	–
Total	**56,785**	62,490

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

Our loss on such fair value changes amounted to RMB10.3 million for the six months June 30, 2023, as compared to loss on such fair value changes of RMB99.7 million for the six months June 30, 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 52 Joint Factories re-measured as financial assets at fair value through profit or loss, (i) 24 were in the initial operation period, and under the market approach, accumulated losses incurred by a company in the initial operation period cannot be considered as an impairment of the initial investment; (ii) 22 were in the rapid development period, and for the six months June 30, 2023, we recorded gain on such fair value change of RMB44.5 million; and (iii) the remaining 6 factories are measured using the net asset approach under the cost method, taking into account certain liquidity discounts, and for the six months June 30, 2023, we recorded loss on such fair value change of RMB54.8 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 decreased by 75.3% from a loss of RMB17.4 million for the six months ended June 30, 2022 to a loss of RMB4.3 million for the six months ended June 30, 2023, which was mainly due to the narrowed overall loss of primary factories as compared to the same period of last year.

Gains on disposal of a subsidiary

During the six months ended June 30, 2023, we did not dispose of any subsidiaries and therefore had no such gains. For the six months ended June 30, 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 six months ended June 30, 2023, we recorded losses on disposal of financial assets at fair value through profit or loss of RMB4.2 million. For the six months ended June 30, 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 RMB8.7 million for the six months ended June 30, 2023 and income tax credit of RMB9.3 million for the six months ended June 30, 2022.

Loss for the period

In view of the above, our loss for the period decreased by 68.3% from RMB331.0 million for the six months ended June 30, 2022 to RMB105.0 million for the six months ended June 30, 2023.

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at June 30, 2023, our balance of cash and cash equivalents amounted to RMB208.4 million while as at June 30, 2022, our cash and cash equivalents were RMB347.2 million.

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

	Six months ended	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Net cash generated from operating activities	**315,322**	178,012
Net cash (used in) investing activities	**(104,593)**	(329,178)
Net cash (used in) financing activities	**(361,381)**	(45,782)
Net decrease in cash and cash equivalents	**(150,652)**	(196,948)
Effect of foreign exchange rate changes	**10**	3,541
Cash and cash equivalents at the beginning of the period	**359,003**	540,656
Cash and cash equivalents at the end of the period	**208,361**	347,249

Net cash generated from operating activities

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

For the six months ended June 30, 2023, our net cash generated from operating activities was RMB315.3 million, mainly due to loss before income tax of RMB113.7 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including RMB145.8 million of depreciation and amortization, reversal of impairment losses of RMB3.2 million, government grant amortization benefit of RMB2.8 million, finance costs of RMB56.8 million, share of profits less losses of associates of RMB4.3 million, losses on disposal of financial assets at fair value through profit or loss of RMB4.2 million, losses on fair value change of financial assets at fair value through profit or loss of RMB10.3 million, dividend income of RMB2.0 million, net valuation gains on investment properties of RMB15.2 million, and total net losses on disposal of investment properties, equipment and right-of-use assets, and disposal of investment properties of RMB6.5 million; and (ii) changes in working capital, mainly including an increase in inventory of RMB8.2 million, a decrease in trade and other receivables of RMB126.6 million, an increase in trade and other payables of RMB89.7 million, a decrease in contract assets of RMB1.7 million, an increase in contract liabilities of RMB26.5 million and income tax paid of RMB12.1 million.

Net cash used in investing activities

For the six months ended June 30, 2023, our net cash used in investing activities was RMB104.6 million, mainly attributable to (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB140.6 million; (ii) payment for acquisition of financial assets at fair value through profit or loss of RMB13.3 million; (iii) payment for interest in associates of RMB0.2 million; (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB26.5 million; (v) proceeds from disposal of property, plant and equipment of RMB1.0 million; (vi) proceeds from disposal of investment properties of RMB16.3 million; and (vii) proceeds from other investing activities of RMB5.7 million.

Net cash used in financing activities

For the six months ended June 30, 2023, our net cash used in financing activities was RMB361.4 million, mainly due to (i) proceeds from loans and borrowings of RMB854.3 million; (ii) investment from minority shareholders of subsidiaries of RMB1.2 million; (iii) repayment of borrowings of RMB1,112.6 million; (iv) payment of interest on borrowings of RMB69.1 million; and (v) principal and interest of lease liabilities paid of RMB35.2 million.

Net current liabilities

Our net current liabilities amounted to RMB1,511.2 million as at June 30, 2023 and our net current liabilities amounted to RMB1,207.4 million as at December 31, 2022. We will maintain our operation as a going concern through the following measures: (i) as at June 30, 2023, the Group had sufficient unutilised banking facilities amounted to RMB1,773.4 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 six months ended June 30, 2023, the Group generated net cash from operating activities amounted to RMB315.3 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; and (v) the Group expects to obtain additional cash inflows from disposal of investment properties to independent third parties.

Borrowings

Our total borrowings increased by RMB81.4 million from RMB3,456.8 million as at December 31, 2022 to RMB3,538.2 million as at June 30, 2023. As at June 30, 2023, we had bank facilities of approximately RMB5,426.9 million (credit facilities), of which approximately RMB1,773.4 million remains unutilized.

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

As at June 30, 2023 and December 31, 2022, borrowings (including principal and interest) are repayable as follows:

	As at	
	June 30, 2023 RMB million	December 31, 2022 RMB million
Within 1 year	**3,008.8**	2,682.4
1-2 years	**415.8**	873.0
2-5 years	**199.4**	–
Over 5 years	**–**	–
Total	**3,624.0**	3,555.4

(2) Range of interest rates of borrowings

As at June 30, 2023, the interest rates of our borrowings are within the following range:

	Range of interest rates
Short-term borrowings	0%-4.60%
Long-term borrowings	3.35%-5.16%

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 RMB392.0 million for the six months ended June 30, 2022 to RMB154.1 million for the six months ended June 30, 2023.

Pledge of assets

As at June 30, 2023 and December 31, 2022, our restricted bank deposits were RMB274.6 million and RMB312.9 million, respectively.

Off-balance sheet commitments and arrangements

For the six months ended June 30, 2023, we had no off-balance sheet arrangements.

Significant investments and capital assets and relevant future plan

For the six months ended June 30, 2023, save as disclosed in this report, the Group did not have any significant investment or capital asset acquisition or relevant future plan approved by the Board.

Major acquisitions and disposals of subsidiaries and associates

For the six months ended June 30, 2023, the Company did not make any major acquisition and disposal of subsidiaries and associates.

Employees and remuneration policy

For the six months ended June 30, 2023, we had 2,396 full-time employees (average number for January to June 2023). Our total remuneration expenses decreased by 17.1% from RMB205.1 million for the six months ended June 30, 2022 to RMB170.0 million for the six months ended June 30, 2023, primarily attributable to the decrease in remuneration expenses benefitting from our cost reduction and efficiency enhancement measures.

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 (each of which does not involve the issuance of new shares and is solely a discretionary plan of the Company), was approved for implementation by the Board and at the shareholders' general meeting of the Company on September 28, 2021 and October 22, 2021, respectively.

The Board has 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 adjusted the allocation method of the 2021 Medium and Long-Term Incentive Plan by making a virtual grant and registration of Shares for the incentive targets by way of agreement upon satisfaction of the conditions for granting, and the Company will 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. 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 addition, the Board (including the independent non-executive Directors) considered and approved the grant of a total of 6,350,382 H Shares, representing approximately 1.30% of the total number of issued Shares of the Company on July 6, 2023, to a total of 150 incentive targets, including Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming, being the executive Directors, and other employees of the Company, under the 2021 Medium and Long-Term Incentive Plan. Details are as follows:

Incentive Targets	**Number of H Shares granted under the 2021 Medium and Long-Term Incentive Plan**
Mr. Hu Shengli *(executive Director)*	200,000 Shares
Ms. Shi Donghong *(executive Director)*	200,000 Shares
Mr. Zhang Kexiang *(executive Director)*	140,000 Shares
Mr. Tan Xinming *(executive Director)*	200,000 Shares
Employees other than the above executive Directors	5,610,382 Shares
Total	**6,350,382 Shares**

Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming are connected persons of the Company and the grants of H Shares to each of them constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the grants of H Shares to each of them constitute part of their remuneration packages under their respective service contracts entered into with the Company, such grants are exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.73(6) and Rule 14A.95 of the Listing Rules. Further announcements on the progress of the 2021 Medium and Long-Term Incentive Plan will be made by the Company in due course in accordance with all applicable requirements under the Listing Rules.

For details of the 2021 Medium and Long-Term Incentive Plan, please refer to the Company's announcement dated September 28, 2021 and circular dated October 6, 2021, and please refer to the Company's announcements dated December 30, 2022 and July 6, 2023 for details of relevant progress.

4. COMMITMENTS

Capital Commitments

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

	As at	
	June 30, 2023 RMB'000	June 30, 2022 RMB'000
Contracted for		
– Construction and renovation of production facilities	**119,390**	305,773
– Capital contributions to Joint Factories	**58,750**	121,430
Total	**178,140**	427,203

5. FINANCIAL RATIOS

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

	Six months ended	
	June 30, 2023	June 30, 2022
Current ratio [(1)]	**0.7**	0.9
Quick ratio [(2)]	**0.6**	0.9
Loan-to-equity ratio [(3)]	**108.2%**	82.5%
Return on total assets [(4)]	**-2.3%**	-6.9%
Return on equity [(5)]	**-6.4%**	-16.6%
Interest coverage ratio [(6)]	**-1.0**	-4.4

Notes:

(1) Current ratio equals to current assets divided by current liabilities as of the end of the period.

(2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the period.

(3) Loan-to-equity ratio equals to total interest-bearing bank and other borrowings divided by total equity as of the end of the end.

(4) Return on total assets equals to loss as at the end of the period/for the period divided by average of total assets at the beginning and end of the period.

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

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

(7) Key financial ratios as at June 30, 2023 are presented on an annualized basis and are calculated by dividing the financial data for the six months ended June 30, 2023 by 180, and multiplying by 365.

Current Ratio

Our current ratio decreased from 0.9 as at June 30, 2022 to 0.7 as at June 30, 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 decreased from 0.9 as at June 30, 2022 to 0.6 as at June 30, 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 82.5% as at June 30, 2022 to 108.2% as at June 30, 2023.

Return on Total Assets

Our return on total assets increased from –6.9% for the six months ended June 30, 2022 to -2.3% for the six months ended June 30, 2023.

Return on Equity

Our return on equity increased from –16.6% for the six months ended June 30, 2022 to -6.4% for the six months ended June 30, 2023.

Interest Coverage Ratio

Our interest coverage ratio increased from –4.4 times for the six months ended June 30, 2022 to –1.0 times for the six months ended June 30, 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 bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our subsidiaries may arrange their liquidity, including short-term investment of 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.

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 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 542 days for the six months ended June 30, 2022 to 536 days for the six months ended June 30, 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 Reporting Period, we did not consider it necessary to use interest rate swaps to hedge our exposure to interest rate risk.

As at June 30, 2023, balance of fixed-rate borrowings amounted to RMB2,089.2 million, with the fixed interest rate ranging from 3.95% to 4.60% per annum. The balance of floating-rate borrowings amounted to RMB1,448.9 million, with floating interest rate ranging from 3.35% 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. No material foreign exchange exposure and foreign currency risk are recognized as at June 30, 2023.

10. CONTINGENT LIABILITIES

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

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Board approved the grant of a total of 6,350,382 H Shares to a total of 150 incentive targets on 6 July 2023, including four executive directors and other senior management members or outstanding key business personnel of the Company. Please also refer to the Company's announcement made on 6 July 2023. Save for this, from the end of the Reporting Period to the date of this interim report, there were no adjusted or non-adjusting significant events with a significant financial impact on the Group.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The Company has adopted the Model Code as the code of conduct for Directors and Supervisors in securities transactions. Upon making specific inquiries to all Directors and Supervisors of the Company, all of them confirmed that they had complied with the required standards contained in the Model Code during the six months ended June 30, 2023.

INTERIM DIVIDEND

On August 31, 2023, the Board resolved not to declare any interim dividend for the six months ended June 30, 2023.

AUDIT COMMITTEE

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

The Audit Committee, together with the management and the Auditor of the Company, has reviewed the unaudited interim consolidated results and the interim report of the Company for the six months ended June 30, 2023. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and has discussed on matters such as audit, risk management, internal control and financial reporting.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

Details of changes in the information of the Directors during the Reporting Period subject to disclosure as required by Rule 13.51B(1) of the Hong Kong Listing Rules are set out below:

Name of Director	Details of changes
Tang Fen	Appointed as the vice chairperson of the Board of the Company
Hu Shengli	Appointed as the vice chairperson of the Board of the Company

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2023, save for those described in the 2021 Medium and Long-Term Incentive Plan in the Management Discussion and Analysis, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's H Shares.

USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019, and the Company issued a total of 122,035,400 H Shares in Global Offering (including 167,400 H Shares issued upon partial exercise of the Over-allotment Option) at an offer price of HK$9.68 per Share with a nominal value of RMB1.00 each. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019, respectively. In addition, as disclosed in the announcements of the Company dated April 20, 2021 and November 30, 2021 and the supplemental announcement dated December 24, 2021 (collectively, the "**Relevant Announcements**"), the Board has considered and approved the change of use of proceeds from the H Shares offering on April 20, 2021 and November 30, 2021, respectively. 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 June 30, 2023, balance of the unutilized net proceeds was approximately HK$6.01 million.

Net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in the same manner as set out in the Prospectus and the Relevant Announcements. The table below sets out the planned use of net proceeds and the actual use as at June 30, 2023:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK$ million)	Amount Utilized During the Reporting Period (HK$ million)	Amount Utilized (as at June 30, 2023) (HK$ million)	Amount Unutilized (as at June 30, 2023) (HK$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45	500.30	13.46	494.42	5.87	
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36.97	410.97	13.46	405.10	5.87	Before December 31, 2023
(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	427.36	0.14	Before December 31, 2023
Total	100	1,111.70	13.46	1,105.69	6.01	

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

As of June 30, 2023, the Directors, Supervisors and the chief executive of the Company had the following interests and/or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the issued Shares of the Company	Approximate percentage of the total issued Domestic Shares of the Company	Approximate percentage of the total issued H Shares of the Company	Long position/ Short position/ Lending pool
				%	%	%	
Mr. Zhang Jian	Domestic Shares	Beneficial owner	14,053,540	2.88	7.90	–	Long position
		Interest held by controlled corporations	124,614,460 (Note 2)	25.55	70.08	–	Long position
	H Shares	Beneficial owner	150,000,000	30.76	–	48.42	Long position
		Interest held by spouse	2,950,500 (Note 3)	0.61	–	0.95	Long position
Ms. Tang Fen	Domestic Shares	Beneficial owner	1,800,000 (Note 4)	0.37	1.01	–	Long position
Ms. Shi Donghong	Domestic Shares	Beneficial owner	1,800,000	0.37	1.01	–	Long position
		Interest held by spouse	5,136,000 (Notes 4 and 5)	1.05	2.89	–	Long position
	H Shares	Interest held by spouse	3,876,000 (Note 6)	0.79	–	1.25	Long position
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
Mr. Zhang Quanxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 7)	5.21	14.29	–	Long position
Mr. Hu Shengli	H Shares	Beneficial owner	118,800	0.04	–	0.02	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. ("**Broad Lingmu**") directly holds 91,776,660 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) ("**Daxin Investment**") directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd. ("**Dazheng Investment**") directly holds 9,101,800 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership (Limited Partnership) ("**Fuyang Shangjiu**") directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment as a limited partner of Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 46.75% 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 2,950,500 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 2,950,500 H Shares for the purpose of Part XV of the SFO.

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

(5) Fuyang Shangjiu directly holds 5,136,000 Domestic Shares, and Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, is the general partner of Fuyang Shangjiu. Therefore, Ms. Shi Donghong is deemed to be interested in 5,136,000 Domestic Shares for the purpose of Part XV of the SFO.

(6) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 3,876,000 H Shares. Therefore, Ms. Shi Donghong is deemed to be interested in 3,876,000 H Shares for the purpose of Part XV of the SFO.

(7) Shenzhen Yuanzhi Fuhai Equity Investment Enterprise (Limited Partnership) ("**Yuanzhi Fuhai**") directly holds 25,404,000 Domestic Shares. The general partners of Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by the Shenzhen SASAC and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) which is ultimately controlled by Mr. Zhang Quanxun and Mr. 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.

Save as those disclosed above, as of June 30, 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 interim report, at no time during the six months ended June 30, 2023 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at June 30, 2023, as far as the Directors of the Company are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Broad Lingmu	Domestic Shares	Beneficial owner	91,776,660	18.82	51.61	–	Long position
		Interest held by controlled corporations	14,237,800 (Note 3)	2.92	8.01	–	Long position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	10.46	–	Long position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	14.29	–	Long position
Hunan Caixin Fund	Domestic Shares	Interest held by controlled corporations	10,000,000 (Note 6)	2.05	5.62	–	Long position
Dazheng Investment	Domestic Shares	Beneficial owner	9,101,800	1.87	5.12	–	Long position
UBS Group AG	H Shares	Interest held by controlled corporations	30,574,219 (Note 7)	6.27	–	9.87	Long position

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Franchise Fund LP	H Shares	Beneficial owner	30,390,400	6.23	–	9.81	Long position
Li Richard	H Shares	Interest held by controlled corporations	20,140,200 (Note 8)	4.13	–	6.50	Long position
OLP Capital Management Limited	H Shares	Investment manager	20,140,200 (Note 8)	4.13	–	6.50	Long position
RCWL Inc.	H Shares	Interest held by controlled corporations	20,140,200 (Note 8)	4.13	–	6.50	Long position
SHEN Di Fan	H Shares	Interest held by controlled corporations	20,140,200 (Note 9)	4.13	–	6.50	Long position
Changsha Xiangjiang Asset Management Co., Ltd.	H Shares	Trust beneficiary (except for discretionary interest)	74,000,000 (Note 10)	15.18	–	23.89	Long position
Hunan Xiangjiang New Area Development Group Co., Ltd.	H Shares	Interest held by controlled corporations	74,000,000 (Note 10)	15.18	–	23.89	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 91,776,660 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 is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment as a limited partner of Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 46.75% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.

(4) Daxin Investment is an employee stock ownership platform of the Company.

(5) The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) is ultimately controlled by Mr. Zhang Quanxun and Mr. Cheng Houbo (程厚博先生). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業(有限合夥)), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司).

(6) Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares, and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares. Hunan Caixin Fund directly holds 100% equity interest in Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership). Therefore, Hunan Caixin Fund is deemed to be interested in the 5,000,000 Domestic Shares held by Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and 5,000,000 Domestic Shares held by Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership), for the purpose of the SFO.

(7) UBS AG directly holds 30,541,820 H Shares, and UBS Switzerland AG directly holds 32,399 H Shares. UBS Group AG holds 100% equity interests in UBS AG and UBS Switzerland AG. Therefore, UBS Group AG is deemed to be interested in the 30,541,820 H Shares held by UBS AG and 32,399 H Shares held by UBS Switzerland AG, for the purpose of the SFO.

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

(9) SHEN Di Fan holds 65% equity interest in OLP Capital Management Limited. Therefore, SHEN Di Fan is deemed to be interested in the 20,140,200 H Shares held by OLP Capital Management Limited for the purpose of the SFO.

(10) On April 26, 2023 and June 19, 2023, respectively, Mr. Zhang Jian entered into pledge agreements with Guotong Trust Co., Ltd. for the purpose of personal financing, and pledged a total of 74,000,000 H Shares directly held by him (the "**Relevant Pledges**"). For the avoidance of doubt, the Relevant Pledges do not involve voting rights of the H Shares of Mr. Zhang Jian. Changsha Xiangjiang Asset Management Co., Ltd. and Guotong Trust Co., Ltd. entered into trust contracts on April 26, 2023 and June 19, 2023, respectively. Therefore, Changsha Xiangjiang Asset Management Co., Ltd., as a trust beneficiary, is deemed to be interested in the 74,000,000 H Shares pledged by Mr. Zhang Jian. Hunan Xiangjiang New Area Development Group Co., Ltd. holds 69.67% equity interest in Changsha Xiangjiang Asset Management Co., Ltd. Therefore, Hunan Xiangjiang New Area Development Group Co., Ltd. is deemed to be interested in the 74,000,000 H Shares which Changsha Xiangjiang Asset Management Co., Ltd. is interested in as a trust beneficiary under the SFO.

Save as those disclosed above, as at June 30, 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.

Independent Auditor's Report

Review report to the board of directors of Changsha Broad Homes Industrial Group Co., Ltd.
(Incorporated in the People's Republic of China)

INTRODUCTION

We have reviewed the interim financial report set out on pages 47 to 80 which comprises the consolidated statement of financial position of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") as of 30 June 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
31 August 2023

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	4	**939,241**	959,621
Cost of sales		**(727,669)**	(776,763)
Gross profit		**211,572**	182,858
Net valuation gains on investment properties	9	**15,157**	1,180
Other net income	5	**8,254**	16,944
Sales and distribution expenses		**(104,636)**	(118,563)
General and administrative expenses		**(118,305)**	(191,249)
Research and development expenses		**(50,194)**	(54,060)
Loss from operations		**(38,152)**	(162,890)
Finance costs	6(a)	**(56,785)**	(62,490)
Fair value changes on financial assets at fair value through profit or loss	23	**(10,256)**	(99,668)
Share of profits less losses of associates	12	**(4,299)**	(17,411)
Gains on disposal of a subsidiary		**–**	2,146
Loss on disposal of financial assets at fair value through profit or loss		**(4,220)**	–
Loss before taxation	6	**(113,712)**	(340,313)
Income tax	7	**8,718**	9,281
Loss for the period		**(104,994)**	(331,032)
Attributable to:			
Equity shareholders of the Company		**(102,780)**	(327,667)
Non-controlling interests		**(2,214)**	(3,365)
Loss for the period		**(104,994)**	(331,032)
Basic and diluted loss per share (RMB)	8	**(0.22)**	(0.67)

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 (Unaudited)
(Expressed in Renminbi)

		Six months ended 30 June	
		2023	2022
	Note	**RMB'000**	RMB'000
Loss for the period		**(104,994)**	(331,032)
Other comprehensive income for the period (after tax)			
Items that will not be reclassified subsequently to profit or loss:			
Reclassification of property, plant and equipment to investment properties		**3,450**	–
Total comprehensive income for the period		**(101,544)**	(331,032)
Attributable to:			
Equity shareholders of the Company		**(99,330)**	(327,667)
Non-controlling interests		**(2,214)**	(3,365)
Total comprehensive income for the period		**(101,544)**	(331,032)

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current assets			
Investment properties	9	**197,107**	224,536
Property, plant and equipment	10	**2,418,438**	2,421,818
Intangible assets		**331,629**	327,902
Right-of-use assets	11	**629,680**	598,253
Goodwill		**7,799**	7,799
Interest in associates	12	**373,669**	380,385
Financial assets at fair value through profit or loss	13	**1,562,738**	1,620,395
Restricted and pledged bank deposits	17	**5,000**	5,000
Deferred tax assets		**93,329**	82,824
Total non-current assets		**5,619,389**	5,668,912
Current assets			
Contract assets	14(a)	**514**	2,233
Inventories	15	**272,406**	264,251
Trade and other receivables	16	**2,687,785**	2,790,744
Restricted and pledged bank deposits	17	**269,601**	307,914
Cash and cash equivalents	18	**208,361**	359,003
		3,438,667	3,724,145
Assets classified as held for sale	9	**–**	30,349
Total current assets		**3,438,667**	3,754,494
Total assets		**9,058,056**	9,423,406
Current liabilities			
Short-term borrowings	19(a)	**2,954,056**	2,611,283
Trade and other payables	20	**1,723,902**	2,118,759
Contract liabilities	14(b)	**209,585**	183,052
Lease liabilities	21	**56,090**	40,623
Deferred income		**5,560**	5,568
Current taxation		**628**	2,618
Total current liabilities		**4,949,821**	4,961,903
Net current liabilities		**(1,511,154)**	(1,207,409)
Total assets less current liabilities		**4,108,235**	4,461,503

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current liabilities			
Long-term borrowings	19(b)	**584,109**	845,529
Lease liabilities	21	**158,400**	142,715
Deferred income		**71,548**	74,327
Deferred tax liabilities		**24,182**	28,633
Total non-current liabilities		**838,239**	1,091,204
NET ASSETS		**3,269,996**	3,370,299
CAPITAL AND RESERVES			
Share capital		**487,639**	487,639
Reserves		**2,691,905**	2,791,235
Total equity attributable to equity shareholders of the Company		**3,179,544**	3,278,874
Non-controlling interests		**90,452**	91,425
TOTAL EQUITY		**3,269,996**	3,370,299

Approved and authorised for issue by the board of directors on 31 August 2023.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022	487,639	(20,526)	2,304,603	147,819	(4,638)	1,235,646	4,150,543	92,386	4,242,929
Changes in equity for the six months ended 30 June 2022									
Loss for the period	–	–	–	–	–	(327,667)	(327,667)	(3,365)	(331,032)
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	(327,667)	(327,667)	(3,365)	(331,032)
Treasury shares	–	(55,750)	–	–	–	–	(55,750)	–	(55,750)
Balance at 30 June 2022 and 1 July 2022	487,639	(76,276)	2,304,603	147,819	(4,638)	907,979	3,767,126	89,021	3,856,147
Changes in equity for the six months ended 31 December 2022									
Loss for the period	–	–	–	–	–	(480,443)	(480,443)	2,404	(478,039)
Other comprehensive income	–	–	–	–	145	(145)	–	–	–
Total comprehensive income	–	–	–	–	145	(480,588)	(480,443)	2,404	(478,039)
Treasury shares	–	(7,809)	–	–	–	–	(7,809)	–	(7,809)
Balance at 31 December 2022	487,639	(84,085)	2,304,603	147,819	(4,493)	427,391	3,278,874	91,425	3,370,299
Balance at 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 the six months ended 30 June 2023									
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(102,780)**	**(102,780)**	**(2,214)**	**(104,994)**
Other comprehensive income	**-**	**-**	**-**	**-**	**6,525**	**(3,075)**	**3,450**	**-**	**3,450**
Total comprehensive income	**-**	**-**	**-**	**-**	**6,525**	**(105,855)**	**(99,330)**	**(2,214)**	**(101,544)**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,241**	**1,241**
Balance at 30 June 2023	**487,639**	**(84,085)**	**2,304,603**	**147,819**	**2,032**	**321,536**	**3,179,544**	**90,452**	**3,269,996**

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Operating activities			
Loss before taxation		**(113,712)**	(340,313)
Adjustments for:			
Depreciation and amortisation	6(c)	**145,834**	147,262
Gain on disposal of property, plant and equipment	5	**(390)**	(102)
Loss on disposal of investment properties	5	**6,845**	–
Impairment losses		**(3,205)**	74,200
Amortisation of government grants		**(2,788)**	(2,833)
Finance costs	6(a)	**56,785**	62,490
Gains on disposal of a subsidiary		**–**	(2,146)
Share of profits less losses of associates	12	**4,299**	17,411
Fair value changes on financial assets at fair value through profit or loss	23	**10,256**	99,668
Losses/(gains) on disposal of other financial assets	5	**4,220**	(140)
Dividend income	5	**(1,980)**	(1,980)
Net valuation gains on investment properties	9	**(15,157)**	(1,180)
Changes in working capital:			
Increase in inventories		**(8,154)**	(3,067)
Decrease in trade and other receivables		**126,575**	159,212
Increase/(decrease) in trade and other payables		**89,715**	(118,191)
Decrease in contract assets		**1,719**	–
Increase in contract liabilities		**26,533**	92,836
Cash generated from operations		**327,395**	183,127
Income tax paid		**(12,073)**	(5,115)
Net cash generated from operating activities		**315,322**	178,012

The notes on pages 54 to 80 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2023 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		**(140,584)**	(300,646)
Payment for purchase of financial assets at fair value through profit or loss		**(13,319)**	(91,370)
Payment for interest in associates		**(150)**	–
Proceeds from disposal of property, plant and equipment		**982**	288
Proceeds from sales of financial assets at fair value through profit or loss		**26,500**	50,490
Proceeds from disposal of investment properties		**16,318**	4,459
Proceeds from disposal of subsidiary		**–**	2,000
Proceeds from other investing activities		**5,660**	5,601
Net cash used in investing activities		**(104,593)**	(329,178)
Financing activities			
Proceeds from non-controlling shareholders of subsidiaries		**1,182**	–
Proceeds from loans and borrowings		**854,286**	925,520
Repayment of loans and borrowings		**(1,112,552)**	(816,723)
Interest paid		**(69,056)**	(67,328)
Payment for purchase of treasury shares		**–**	(55,750)
Capital element of lease rentals paid		**(30,088)**	(26,826)
Interest element of lease rentals paid		**(5,153)**	(4,675)
Net cash used in financing activities		**(361,381)**	(45,782)
Net decrease in cash and cash equivalents		**(150,652)**	(196,948)
Cash and cash equivalents at 1 January		**359,003**	540,656
Effect of foreign exchange rate changes		**10**	3,541
Cash and cash equivalents at 30 June	18	**208,361**	347,249

The notes on pages 54 to 80 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company and its subsidiaries (together, "the Group") are principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing ("PC Unit Manufacturing"), prefabricated concrete equipment manufacturing ("PC Equipment Manufacturing") and Modular Integrated Products Manufacturing.

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2023.

The Group incurred a net loss of RMB104,994 thousand for the period ended 30 June 2023 and as at that date, the Group had net current liabilities of RMB1,511,154 thousand. Notwithstanding the above results, the interim financial report has been prepared on a going concern basis, which is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements.

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

- At 30 June 2023, the Group had sufficient unutilised banking facilities amounted to RMB1,773,412 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 six months ended 30 June 2023, the Group generated net cash from operating activities amounted to RMB315,322 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 2023.

2 BASIS OF PREPARATION (CONTINUED)

The directors of the Group have reviewed the working capital forecast of the Group, which cover a period of twelve months from 30 June 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 six months ended 30 June 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 this interim financial report.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 17, *Insurance contracts*
- Amendment to IAS 8, *Accounting policies, changes in accounting estimates and errors; Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

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

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, being (i) PC Unit Manufacturing segment, (ii) PC Equipment Manufacturing segment, (iii) Modular Integrated Products segment and (iv) Construction contracts segments. No operating segments have been aggregated to form the following reportable segments.

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of PC units	**817,063**	893,508
– Sales of PC equipment	**648**	28,702
– Sales of Modular integrated products	**29,796**	37,411
– Construction contracts – EPC	**91,734**	–
	939,241	959,621

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

	PC Unit Manufacturing		PC Equipment Manufacturing		Modular integrated products Manufacturing		Construction contracts		Total	
For the six months ended 30 June	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Disaggregated by timing of revenue recognition										
Point in time	817,063	893,508	648	28,702	29,796	37,411	78,254	–	925,761	959,621
Over time	-	–	-	–	-	–	13,480	–	13,480	–
Revenue from external customers	817,063	893,508	648	28,702	29,796	37,411	91,734	–	939,241	959,621
Inter-segment revenue	66,755	7,589	-	–	-	–	-	–	66,755	7,589
Reportable segment revenue	883,818	901,097	648	28,702	29,796	37,411	91,734	–	1,005,996	967,210
Reportable segment profit/(loss)	(19,077)	(51,343)	12,774	(42,897)	(26,765)	(39,060)	28,276	–	(4,792)	(133,300)
Finance costs	(56,209)	(60,338)	(374)	(2,179)	(165)	27	(37)	–	(56,785)	(62,490)
Depreciation and amortisation for the period	(131,195)	(133,825)	(2,561)	(2,580)	(12,077)	(11,615)	(1)	–	(145,834)	(148,020)
As at 30 June/31 December										
Reportable segment assets	6,553,700	6,870,779	160,756	135,174	468,546	449,816	65,462	8,586	7,248,464	7,464,355
Reportable segment liabilities	2,114,427	1,591,833	102,971	155,340	154,720	882,383	18,593	8,468	2,390,711	2,638,024

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**1,005,996**	967,210
Elimination of inter-segment revenue	**(66,755)**	(7,589)
Consolidated revenue	**939,241**	959,621
Loss		
Total reportable segment loss	**(4,792)**	(133,300)
Elimination of inter-segment loss	**(3,010)**	(1,055)
Finance costs	**(56,785)**	(62,490)
Unallocated head office and corporate expenses	**(32,330)**	(30,515)
Fair value changes on financial assets at fair value through profit or loss	**(10,256)**	(99,668)
Share of profits less losses of associates	**(4,299)**	(17,411)
Loss on disposal of financial assets at fair value through profit or loss	**(4,220)**	–
Gains on disposal of a subsidiary	**–**	2,146
Dividend income	**1,980**	1,980
Loss before taxation	**(113,712)**	(340,313)

5 OTHER NET INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants	**10,215**	9,480
Gain on disposal of property, plant and equipment and right-of-use assets	**390**	102
Loss on disposal of investment properties	**(6,845)**	–
Operating lease income from rent of investment properties	**2,608**	4,802
Gain on disposal of other financial assets	**–**	140
Dividend income	**1,980**	1,980
Others	**(94)**	440
	8,254	16,944

6 LOSS BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**68,533**	66,957
Interest on lease liabilities	**5,153**	4,675
Interest income	**(5,660)**	(5,601)
Net foreign exchange gain	**(10)**	(3,541)
Less: interest expense capitalised into construction in progress*	**(11,231)**	–
	56,785	62,490

* The borrowing cost have been capitalised at a rate of 4.38% per annum (six months ended 30 June 2022: nil).

6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, wages, bonuses and other benefits	**159,823**	193,087
Contributions to defined contribution retirement plan	**10,205**	12,003
	170,028	205,090

(c) Other items:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Amortisation		
– intangible assets	**23,921**	19,308
Depreciation		
– property, plant and equipment (note 10)	**92,323**	98,334
– right-of-use assets (note 11)	**29,590**	29,620
Impairment losses		
– trade and other receivables	**(3,205)**	63,292
– inventories	**–**	10,908
Cost of inventories (note 15(b))	**439,872**	518,304

7 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax – PRC income tax		
Provision for the period	**838**	1,308
Current tax – Provision for PRC Land Appreciation Tax		
Provision for the period	**4,855**	–
Deferred tax		
Origination and reversal of temporary differences	**(14,411)**	(10,589)
	(8,718)	(9,281)

8 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 RMB102,780 thousand (six months ended 30 June 2022: RMB327,667 thousand) and the weighted average number of shares of 477,540,100 (six months ended 30 June 2022: 485,520,719). There were no potential dilutive ordinary shares during the six-month period and therefore dilutive earnings per share are the same as the basic earnings per share.

9 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2022	250,915
Fair value adjustment	21,807
Disposals	(17,837)
Transfer to assets held for sale (note)	(30,349)
Balance at 31 December 2022	224,536
Fair value adjustment	15,460
Transfer from property, plant and equipment	16,610
Disposals	(59,499)
Balance at 30 June 2023	197,107

Note: In 2022, the Group entered into sales agreements with independent third parties to dispose certain investment properties. Accordingly, the relevant assets were presented as held for sale at 31 December 2022. These transactions have been completed in 2023.

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

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Office furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 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	**1,249,052**	**1,485,480**	**29,690**	**28,817**	**22,982**	**507,065**	**3,323,086**
Additions	**37,078**	**3,486**	**51**	**–**	**10**	**69,660**	**110,285**
Transferred from construction in progress	**3,008**	**655**	**–**	**–**	**–**	**(3,663)**	**–**
Transferred to construction in progress	**–**	**(23,214)**	**–**	**–**	**–**	**12,252**	**(10,962)**
Transferred to investment properties	**(13,037)**	**–**	**–**	**–**	**–**	**–**	**(13,037)**
Disposals	**(7,331)**	**(842)**	**(338)**	**(65)**	**(90)**	**–**	**(8,666)**
Balance at 30 June 2023	**1,268,770**	**1,465,565**	**29,403**	**28,752**	**22,902**	**585,314**	**3,400,706**
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	**(189,567)**	**(656,268)**	**(21,709)**	**(17,767)**	**(15,957)**	**–**	**(901,268)**
Depreciation charge for the period	**(30,947)**	**(59,032)**	**(1,023)**	**(1,544)**	**(621)**	**–**	**(93,167)**
Written back on transfer to construction in progress	**–**	**10,962**	**–**	**–**	**–**	**–**	**10,962**
Written back on transfer to investment properties	**182**	**–**	**–**	**–**	**–**	**–**	**182**
Written back on disposals	**19**	**635**	**269**	**17**	**83**	**–**	**1,023**
Balance at 30 June 2023	**(220,313)**	**(703,703)**	**(22,463)**	**(19,294)**	**(16,495)**	**–**	**(982,268)**
Net book value:							
Balance at 30 June 2023	**1,048,457**	**761,862**	**6,940**	**9,458**	**6,407**	**585,314**	**2,418,438**
Balance at 31 December 2022	1,059,485	829,212	7,981	11,050	7,025	507,065	2,421,818

As at 30 June 2023, property, plant and equipment with carrying amounts of RMB360,217 thousand (31 December 2022: RMB373,038 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 19).

11 RIGHT-OF-USE ASSETS

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

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Land use rights, carried at depreciated cost	(i)	**424,632**	424,754
Plant and buildings, carried at depreciated cost	(ii)	**205,048**	173,499
		629,680	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:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**5,122**	5,122
Plant and buildings	**24,512**	24,498
	29,634	29,620

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**2,450**	2,814

During the period, additions to right-of-use assets were RMB57 million (six months ended 30 June 2022: RMB29 million). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

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

11 RIGHT-OF-USE ASSETS (CONTINUED)

(i) Land use rights

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

As at 30 June 2023, certain land use rights with carrying amounts of RMB119,722 thousand (31 December 2022: RMB121,195 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 19).

(ii) Plant and buildings

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

12 INTEREST IN ASSOCIATES

The Group has interests in 14 associates (31 December 2022: 13 associates). None of these associates was individually material to the Group's financial condition or results of operations for the six months ended 30 June 2023 and the year ended 31 December 2022. All of these associates are accounted for using the equity method in the six months ended 30 June 2023 and 2022. The purpose of the investment in the associates is to enable the Group to expand PC units business in the PRC.

Aggregate information of associates that are not individually material:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**373,669**	380,385

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Aggregate amounts of the Group's share of those associates		
Losses from operations	**(4,299)**	(17,411)
Other comprehensive income	**–**	–
Total comprehensive income	**(4,299)**	(17,411)

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Financial assets at fair value through profit or loss – Equity investment	**1,562,738**	1,620,395

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Arising from performance under construction contracts	**514**	2,233
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 16)	**9,677**	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 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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Billings in advance of performance	**209,585**	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 and PC equipments and a 85% to 100% deposit before the manufacturing of Modular integrated products.

15 Inventories

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Raw materials	126,187	118,961
Work in progress	55,668	48,399
Finished goods	101,328	107,668
	283,183	275,028
Less: provision for impairment of inventories	(10,777)	(10,777)
	272,406	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).

16 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade debtors	2,641,322	2,821,998
Bills receivable	64,677	68,512
Less: allowance for doubtful debts	(269,458)	(275,647)
	2,436,541	2,614,863
Other receivables	124,427	117,012
Less: allowance for doubtful debts	(6,576)	(3,632)
	117,851	113,380
Prepayments	93,570	33,047
Value added tax recoverable	35,142	27,925
Prepaid income tax	3,493	256
Others	1,188	1,273
	2,687,785	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.

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing analysis

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month	232,251	210,317
Over 1 month but less than 1 year	1,313,554	1,532,566
1 to 2 years	525,916	527,409
2 to 3 years	202,690	257,807
3 to 4 years	140,072	59,361
4 to 5 years	21,458	26,403
More than 5 years	600	1,000
	2,436,541	2,614,863

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

As at 30 June 2023, certain trade and other receivables with carrying amount of RMB86,285 thousand (31 December 2022: RMB70,000 thousand) was pledged as collateral for certain bank loans and other borrowings (see note 19).

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Balance at 1 January	275,647	202,338
Impairment losses (reversed)/recognised	(6,189)	73,310
Disposal of subsidiaries	–	(1)
Balance at 30 June/31 December	269,458	275,647

17 RESTRICTED AND PLEDGED BANK DEPOSITS

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, and for 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 RMB56,929 thousand (31 December 2022: RMB60,295 thousand). In the first half of 2023, 7 (31 December 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 30 June 2023 and the Directors consider no additional provisions were required to be made in respect of these claims at 30 June 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.

18 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank	**208,361**	359,003

Cash at bank includes time deposits of RMB nil (31 December 2022: RMB9,000 thousand) placed at banks in the PRC with original maturities of three months or less. These deposits are guaranteed for principal repayment with fixed or determinable returns.

19 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Secured bank loans	(i)	**639,285**	551,000
Guaranteed bank loans	(ii)	**311,000**	204,000
Unsecured bank loans		**633,555**	546,186
Add: Current portion of non-current loans and borrowings		**1,370,216**	1,310,097
		2,954,056	2,611,283

(i) Secured bank loans

Short-term loans and borrowings of RMB197,000 thousand (31 December 2022: RMB197,000 thousand) were secured by the Group's plants, buildings and land use rights as at 30 June 2023.

Short-term loans and borrowings of RMB195,000 thousand (31 December 2022: RMB284,000 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 30 June 2023.

Short-term loans and borrowings of RMB247,285 thousand (31 December 2022: RMB70,000 thousand) were secured by the Group's trade and other receivables as at 30 June 2023.

(ii) Guaranteed bank loans

Short-term loans and borrowings of RMB180,000 thousand (31 December 2022: RMB145,000 thousand) were either co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui or co-guaranteed by Mr. Zhang Jian, Ms. Liu Hui and Hunan Broad Lingmu House Equipment Co., Ltd. (all of them are related parties) as at 30 June 2023.

Short-term loans and borrowings of RMB100,000 thousand (31 December 2022: Nil) were co-guaranteed by Mr. Zhang Jian, Ms. Liu Hui and Group's subsidiary as at 30 June 2023.

Short-term loans and borrowings of RMB31,000 thousand (31 December 2022: RMB59,000 thousand) were guaranteed by the Company or a Group's subsidiary as at 30 June 2023.

19 LOANS AND BORROWINGS (CONTINUED)

(b) Long-term loans and borrowings

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Guaranteed bank loans	(i)	**843,400**	888,928
Secured bank loans and other borrowings	(ii)	**884,925**	886,698
Unsecured bank loans		**226,000**	380,000
Less: Current portion of non-current loans and borrowings		**(1,370,216)**	(1,310,097)
		584,109	845,529

(i) Guaranteed bank loans

Long-term loans and borrowings of RMB398,400 thousand (31 December 2022: RMB438,700 thousand) were either guaranteed by Mr. Zhang Jian or co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui as at 30 June 2023.

Long-term loans and borrowings of RMB350,000 thousand (31 December 2022: RMB450,000 thousand) were co-guaranteed by Group's subsidiaries, Mr. Zhang Jian and Ms. Liu Hui as at 30 June 2023.

Long-term loans and borrowings of RMB95,000 thousand (31 December 2022: Nil) were guaranteed by Group's subsidiaries.

(ii) Secured bank loans

Long-term loans and borrowings of RMB405,800 thousand (31 December 2022: RMB417,550 thousand) were secured by the Group's plants, buildings and land use rights as at 30 June 2023.

Long-term loans and borrowings of RMB392,000 thousand (31 December 2022: RMB376,000 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) or co-guaranteed by the Group's subsidiaries, Mr. Zhang Jian and Ms. Liu Hui as at 30 June 2023.

Long-term loans and borrowings of RMB87,125 thousand (31 December 2022: RMB93,148 thousand) were guaranteed were secured by the Group's machinery equipment as at 30 June 2023.

19 LOANS AND BORROWINGS (CONTINUED)

(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. As at 30 June 2023 and 31 December 2022, none of the covenants relating to drawn down facilities had been breached.

20 TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade creditors	**1,142,339**	1,327,434
Bills payable	**448,453**	575,689
	1,590,792	1,903,123
Accrued staff costs	**19,879**	22,246
VAT payable	**60,151**	76,002
Sundry taxes payable	**1,852**	3,337
Security deposits	**10,243**	15,170
Interest payable	**2,779**	3,318
Received in advance	**1,452**	54,731
Other accrued expenses and payables	**36,754**	40,832
	1,723,902	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:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	**1,336,457**	1,618,867
1 to 2 years	**140,037**	188,956
2 to 3 years	**39,671**	28,247
More than 3 years	**74,627**	67,053
	1,590,792	1,903,123

21 LEASE LIABILITIES

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

	As at 30 June 2023		As at 31 December 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	56,090	67,512	40,623	49,965
After 1 year but within 2 years	26,739	34,692	22,401	29,919
After 2 years but within 3 years	15,451	22,233	10,890	17,236
After 3 years	116,210	146,895	109,424	142,577
	158,400	203,820	142,715	189,732
	214,490	271,332	183,338	239,697
Less: total future interest expenses		(56,842)		(56,359)
Present value of lease liabilities		214,490		183,338

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 28 September and 22 October 2021, a medium and long-term incentive plan ("the Plan") was approved by the Board and the shareholders' general meeting of the Company respectively, which includes a restricted share incentive plan and a share option incentive plan. The incentive targets of the Plan include Directors, senior management members of the Company and outstanding key business personnel. The purpose of the Plan is to attract, retain and 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. Under the share option incentive plan, the total number of H Share options to be granted to the incentive targets will not exceed 7 million options. The incentive targets have the right to purchase H Shares of the Company at the exercise price of the options during the period from 1 January 2023 to 31 December 2027, subject to the fulfilment of the exercise conditions of share options. The exercise price and its conditions will be fixed upon the granting of the share options.

At 30 June 2023, 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.

The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will identify the incentive targets and implement the grants. No restricted share or share options have been granted under the Plan during the period (2022: nil).

23 FAIR VALUE MEASUREMENT

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties and financial instruments measured at the end of the reporting period on a recurring basis, 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.

23 FAIR VALUE MEASUREMENT (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	At 30 June 2023			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	197,107	197,107
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,562,738	1,562,738
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	1,700	1,700

	At 31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties (including 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 six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi unless otherwise indicated)

23 FAIR VALUE MEASUREMENT (CONTINUED)

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

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value	Range	Weighted average/ median/average
Investment properties	Market comparison approach	Premium (discount) on quality of the buildings	The higher the premium/ discount, the higher/lower the fair value	Discount rate: 0% to 65% (2022: 0% to 70%)	Discount rate: 5%, 25.3% (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: 3.48 to 16.86 (2022: 3.04 to 14.42) EV/S ratio: 0.35 to 1.19 (2022: 0.32 to 1.97)	P/IC ratio: 1.00 (2022: 1.00) P/E ratio: 10.26 (2022: 8.82) EV/S ratio: 0.72 (2022: 0.78)
	Cost approach (Net asset method)	Discount for lack of marketability	The higher the discount for lack of Marketability, the higher the fair value	Discount for lack of Marketability: 0.3 (2022: 0.3)	Discount for lack of Marketability: 0.3 (2022: 0.3)
Bills receivable	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk–adjusted discount rate, the lower the fair value	0% (2022: 0%)	0% (2022: 0%)

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

The movements during the period in the balance of investment properties is disclosed in note 9.

The fair value of 48 unlisted equity investments is determined using the comparable transaction method and comparable company method, the significant unobservable input used in the fair value measurement are P/IC ratio, P/E ratio and EV/S ratio. The fair value of remaining 6 unlisted equity investments is determined using the net asset method with significant unobservable input of discount for lack of marketability.

There have been changes in valuation technique used in the fair value measurement of 1 equity investment from market approach to cost approach as market approach was no longer applicable.

23 FAIR VALUE MEASUREMENT (CONTINUED)

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

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

In addition, the significant unobservable inputs used in the fair value measurements of 5 equity investments were changed from EV/S ratio and P/IC ratio to P/E ratio. The reason of 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 30 June 2023, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio, EV/S ratio, P/E ratio and decrease/increase in discount for lack of marketability by 1% would have decreased/increased the Group's valuation losses on equity investments by RMB13,283 thousand (2022: RMB13,773 thousand).

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Unlisted equity investments		
At 1 January	**1,620,395**	1,939,836
Payment for purchases	**13,319**	51,900
Investment returns	**(500)**	(6,000)
Changes in fair value recognised in profit or loss during the period/year	**(10,256)**	(365,341)
Disposal during the period/year	**(60,220)**	–
At 30 June/31 December	**1,562,738**	1,620,395

The fair value of bills receivable is determined by discounting the cash flow associated with the bills using risk-adjusted discount rate. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As at 30 June 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 30 June 2023 and 31 December 2022.

24 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report.

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Contracted for	**178,140**	225,161

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**1,864**	2,874
Share-based payment	**–**	–
Post-employment benefits	**157**	158
	2,021	3,032

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of products to associates	**95,915**	243
Sales of products to entities controlled by the controlling shareholder	**2**	6
Sales of products to entities controlled by a close family member of controlling shareholder	**–**	868
Purchase of goods from associates	**4,021**	–
Purchase of goods from entities controlled by the controlling shareholder (i)	**3,848**	1,872
Purchase of services from entities controlled by the controlling shareholder	**–**	34
Purchase of goods from entities controlled by a close family member of controlling shareholder	**27**	–
Lease of properties from entities controlled by the controlling shareholder	**–**	310
Disposal of investment in a subsidiary to entities controlled by the controlling shareholder (ii)	**–**	3,430
Prepayments to entities controlled by the controlling shareholder (i)	**26,233**	–

Notes:

(i) In 2023, purchase of goods from and prepayments to entities controlled by the controlling shareholder was mainly related to the purchase of equipment from Changsha Broad Bathroom Co., Ltd., which is controlled by Mr. Zhang Jian.

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

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade debtors	**49,047**	17,977
Bills receivable	**400**	–
Contract assets	**514**	–
Prepayments	**27,324**	447
Other receivables (iii)	**7,020**	33,069
Other current assets	**286**	–
Trade creditors	**(12,612)**	(15,913)
Bills payable	**–**	(100)
Contract liabilities	**(6,150)**	(11,652)
Other payables	**(8,216)**	(12,612)
	57,523	11,216

Notes:

(iii) Included in other receivables as at 30 June 2023 is an advance to a related party amounted to RMB5,000 thousand (31 December 2022: RMB31,000 thousand) which is interest-free and expected to be recovered within one year.

(d) Guarantee provided by related parties

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Loans and borrowings		
– Co-guaranteed by Mr. Zhang Jian and Mrs. Liu Hui	**1,246,100**	1,054,100
– Guaranteed by Mr. Zhang Jian	**319,300**	589,600
– Co-guaranteed by Hunan Broad Lingmu House Equipment Co., Ltd. and Mr. Zhang Jian and Mrs. Liu Hui.	**50,000**	50,000
	1,615,400	1,693,700

(e) Applicability of the Listing Rules relating to connected transactions

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.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board approved the grant of a total of 6,350,382 H Shares to a total of 150 incentive targets on 6 July 2023, including four executive directors and other senior management members or outstanding key business personnel of the Company. Please also refer to the Company's announcement made on 6 July 2023.