



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

2024

INTERIM REPORT



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BROAD VILLA

Definitions

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

“AGM”	the 2023 annual general meeting of the Company held at 10:00 a.m. on April 29, 2024
“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
“Board”	the board of Directors of the Company
“Broad Homes United Program”	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
“China” or “PRC”	the People’s Republic of China, but for the purpose of this interim report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
“Company” or “Broad Homes”	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 of the Hong Kong Listing Rules
“curing”	the process where the concrete surfaces are kept wet for a certain period after placing of concrete so as to promote the hardening of cement
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the Hong Kong Public Offering and the International Offering
“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

Definitions

“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
“IoT”	internet of things, a network of physical objects embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data thus to realize intelligent identification, positioning, tracking, monitoring and management
“Joint Factory(ies)”	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory that operates and manages as context requires
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“mould”	a device for cutting or molding liquid into a particular shape
“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

Definitions

“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
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Company, one of the special committees of the Board
“Reporting Period”	six months ended June 30, 2024
“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

Definitions

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

Non-executive Director

Mr. Zhang Quanxun

Independent Non-executive Directors

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

SUPERVISORS

Mr. Zhou Feng
Mr. Li Gen
Ms. Liu Jing

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Li Zhengnong (*Chairman*)
Mr. 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 (*resigned as a member of the Strategy Committee on March 28, 2024*)

AUTHORIZED REPRESENTATIVES

Ms. Shi Donghong
Ms. Ng Ka Man

JOINT COMPANY SECRETARIES

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

LEGAL ADVISERS

as to Hong Kong law:
Baker & McKenzie

as to PRC law:
Jia Yuan Law Offices

AUDITOR

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

Corporate Information

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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		Year-on-year change %
	June 30, 2024 RMB'000	June 30, 2023 RMB'000	
Revenue	844,435	939,241	-10.1%
Gross profit	171,099	211,572	-19.1%
Loss from operations	(138,405)	(38,152)	262.8%
Loss before income tax	(305,641)	(113,712)	168.8%
Net loss	(301,401)	(104,994)	187.1%
Net loss for the period attributable to the followings:			
Shareholders of the Company	(296,329)	(102,780)	188.3%
Non-controlling shareholders	(5,072)	(2,214)	129.1%
Gearing ratio ^(Note)	64.4%	63.9%	0.5 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			Six months ended		
	June 30, 2024			June 30, 2023		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(in RMB'000, except %)			(in RMB'000, except %)		
PC unit manufacturing	766,851	160,135	20.9%	817,063	178,948	21.9%
PC equipment manufacturing	70	36	51.4%	648	199	30.7%
Modular integrated product manufacturing	47,084	1,420	3.0%	29,796	(44)	-0.1%
Digital EPC	30,430	9,508	31.2%	91,734	32,469	35.4%

Financial Summary and Operating Highlights

3. FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the six months ended June 30, 2024 are set out below:

Revenue decreased by 10.1% from RMB939.2 million for the six months ended June 30, 2023 to RMB844.4 million for the six months ended June 30, 2024.

Revenue of PC unit manufacturing business decreased by 6.1% from RMB817.1 million for the six months ended June 30, 2023 to RMB766.9 million for the six months ended June 30, 2024.

Revenue of modular integrated product manufacturing business increased by 58.0% from RMB29.8 million for the six months ended June 30, 2023 to RMB47.1 million for the six months ended June 30, 2024.

Revenue of digital EPC business decreased by 66.8% from RMB91.7 million for the six months ended June 30, 2023 to RMB30.4 million for the six months ended June 30, 2024.

Gross profit decreased by 19.1% from RMB211.6 million for the six months ended June 30, 2023 to RMB171.1 million for the six months ended June 30, 2024; and gross profit margin decreased from 22.5% for the six months ended June 30, 2023 to 20.3% for the six months ended June 30, 2024.

Gross profit of PC unit manufacturing business decreased by 10.5% from RMB178.9 million for the six months ended June 30, 2023 to RMB160.1 million for the six months ended June 30, 2024; and gross profit margin decreased from 21.9% for the six months ended June 30, 2023 to 20.9% for the six months ended June 30, 2024.

Gross profit of digital EPC business decreased by 70.7% from RMB32.5 million for the six months ended June 30, 2023 to RMB9.5 million for the six months ended June 30, 2024; and gross profit margin decreased from 35.4% for the six months ended June 30, 2023 to 31.2% for the six months ended June 30, 2024.

(Loss) from operations increased by 262.8% from a loss of RMB38.2 million for the six months ended June 30, 2023 to a loss of RMB138.4 million for the six months ended June 30, 2024.

Net (loss) increased by 187.1% from a net loss of RMB105.0 million for the six months ended June 30, 2023 to a net loss of RMB301.4 million for the six months ended June 30, 2024.

Net cash generated from operating activities decreased by 46.4% from RMB315.3 million for the six months ended June 30, 2023 to RMB169.1 million for the six months ended June 30, 2024.

Financial Summary and Operating Highlights

4. OPERATING HIGHLIGHTS

Our operating highlights for the six months ended June 30, 2024 are set out below:

New and incomplete contracts

	Six months ended		Year-on-year change
	June 30, 2024 RMB million	June 30, 2023 RMB million	
New contracts of the PC unit manufacturing business	809.3	1,480.3	-45.3%
New contracts of the digital EPC business	76.5	225.2	-66.0%
New contracts of the modular integrated product manufacturing business ^(Note)	79.5	45.1	76.2%

	As at		Year-on-year change
	June 30, 2024 RMB million	June 30, 2023 ^{Note} RMB million	
Incomplete contracts of the PC unit manufacturing business ^(Note)	4,020.8	4,110.9	-2.2%
Incomplete contracts of the digital EPC business	237.5	277.6	-14.4%
Incomplete contracts of the modular integrated product manufacturing business ^(Note)	152.2	166.0	-8.3%

Note: When calculating our incomplete contracts as at December 31, 2023, certain contracts with uncertainty in performance in a total amount of RMB981.9 million have been excluded, among which, the incomplete contracts of the PC unit manufacturing business amounted to RMB882.4 million and the incomplete contracts of the modular integrated product manufacturing business amounted to RMB99.5 million, and accordingly, the incomplete contracts as at June 30, 2023 have been retrospectively reduced by RMB981.9 million, and the new contracts of the modular integrated product manufacturing business as at June 30, 2023 have been retrospectively reduced by RMB99.5 million.

Financial Summary and Operating Highlights

Total new contract amount of our PC unit manufacturing business decreased by 45.3% from RMB1,480.3 million for the six months ended June 30, 2023 to RMB809.3 million for the six months ended June 30, 2024.

Total new contract amount of our digital EPC business decreased by 66.0% from RMB225.2 million for the six months ended June 30, 2023 to RMB76.5 million for the six months ended June 30, 2024.

Total new contract amount of our modular integrated product manufacturing business increased by 76.2% from RMB45.1 million for the six months ended June 30, 2023 to RMB79.5 million for the six months ended June 30, 2024.

Total incomplete contracts amount of our PC unit manufacturing business decreased by 2.2% from RMB4,110.9 million for the six months ended June 30, 2023 to RMB4,020.8 million for the six months ended June 30, 2024.

Total incomplete contracts amount of our digital EPC business decreased by 14.4% from RMB277.6 million for the six months ended June 30, 2023 to RMB237.5 million for the six months ended June 30, 2024.

Total incomplete contracts amount of our modular integrated product manufacturing business decreased by 8.3% from RMB166.0 million for the six months ended June 30, 2023 to RMB152.2 million for the six months ended June 30, 2024.

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

The production volume of our PC units increased by 2.8% from 358,000 cubic meters for the six months ended June 30, 2023 to 368,000 cubic meters for the six months ended June 30, 2024. The sales volume of our PC units increased by 2.4% from 379,000 cubic meters for the six months ended June 30, 2023 to 388,000 cubic meters for the six months ended June 30, 2024.

Our production line utilization rate increased from 37.5% for the six months ended June 30, 2023 to 39.2% for the six months ended June 30, 2024, primarily attributable to (i) the optimization of production line of certain factories; and (ii) the increase in production capacity.

Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business review

In the first half of 2024, constrained by the industry environment, the revenue and profit of the PC unit business have not shown improvement. However, the Company is committed to building the strategic second growth curve, and initial results have been seen. The revenue and profit of the modular integrated product manufacturing business have achieved solid growth. In the second half of the year, in addition to continuing to vigorously promote the Broad Homes fully prefabricated green rural villa series products, the Company also aims to make breakthroughs in overseas business and achieve large-scale revenue as soon as possible.

For the six months ended June 30, 2024, the new contract amount of our PC unit manufacturing business amounted to RMB809.3 million.

For the six months ended June 30, 2024, the new contract amount of our digital EPC business amounted to RMB76.5 million.

For the six months ended June 30, 2024, the new contract amount of our modular integrated product manufacturing business amounted to RMB79.5 million.

For the six months ended June 30, 2024, the production volume of our PC unit manufacturing business amounted to 368,000 cubic meters, representing a year-on-year increase of 2.8%.

For the six months ended June 30, 2024, the sales volume of our PC unit manufacturing business amounted to 388,000 cubic meters, representing a year-on-year increase of 2.4%.

PC unit manufacturing

The revenue from PC unit manufacturing business decreased by 6.1% from RMB817.1 million for the six months ended June 30, 2023 to RMB766.9 million for the six months ended June 30, 2024. The gross profit decreased by 10.5% from RMB178.9 million for the six months ended June 30, 2023 to RMB160.1 million for the six months ended June 30, 2024; and the gross profit margin decreased from 21.9% for the six months ended June 30, 2023 to 20.9% for the six months ended June 30, 2024.

PC equipment manufacturing

The revenue from PC equipment manufacturing business decreased by 89.2% from RMB0.6 million for the six months ended June 30, 2023 to RMB0.1 million for the six months ended June 30, 2024.

Modular integrated product manufacturing business

The revenue from modular integrated product manufacturing business increased by 58.0% from RMB29.8 million for the six months ended June 30, 2023 to RMB47.1 million for the six months ended June 30, 2024. The gross profit increased from RMB-0.04 million for the six months ended June 30, 2023 to RMB1.4 million for the six months ended June 30, 2024; and the gross profit margin increased from -0.1% for the six months ended June 30, 2023 to 3.0% for the six months ended June 30, 2024.

Management Discussion and Analysis

Digital EPC business

The revenue from digital EPC business decreased by 66.8% from RMB91.7 million for the six months ended June 30, 2023 to RMB30.4 million for the six months ended June 30, 2024. The gross profit decreased by 70.7% from RMB32.5 million for the six months ended June 30, 2023 to RMB9.5 million for the six months ended June 30, 2024; and the gross profit margin decreased from 35.4% for the six months ended June 30, 2023 to 31.2% for the six months ended June 30, 2024.

The “Broad Homes United Program”

As of June 30, 2024, we had contributed to 58 Joint Factories, 57 of which were capable of commercial production and 6 achieved profitability for the six months ended June 30, 2024.

Prospect and strategies

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

The “14th Five-Year Plan for the Development of the Construction Industry” proposes that by 2025, prefabricated construction will account for 30% of the market, with an estimated market size of approximately RMB120-140 billion per year. During the 14th Five-Year Plan period, China plans to develop 9 million units of affordable rental housing (accounting for 26% of new additions), with many regions already introducing policies that require or encourage the use of prefabricated construction methods.

In 2024, the Company will further progress from being a construction enterprise to becoming a technology-driven company focused on “digital operation” and “product-oriented development”. We will actively transform our business strategies, continually deepen our commitment to B2C development, and anchor ourselves in high-value innovative businesses. We aim to break free from heavy reliance on the real estate industry, exercise strict risk control, and ensure the steady growth of our PC business. Simultaneously, we will maintain a continued focus on serving the scenario-specific demands of the prefabricated construction market, including apartments and dormitories in industrial parks and campuses, green farmhouses for rural revitalization, and same-site reconstruction for urban renewal. In addition, we will leverage new materials technology, manufacturing techniques and processes to revolutionize construction methods, utilize intelligent and zero-carbon technologies to redefine living spaces through modular construction. Specifically targeting project-based engineering demands from enterprises in “Belt and Road” countries, we will export domestic production line equipment, digitalized operational management and technical services, and offer comprehensive project-based solutions for prefabricated construction. We will also continuously explore overseas markets, actively promote capacity development in international markets, and set sail with “Broad Homes Intelligent Construction” to achieve our goals in the global arena.

Management Discussion and Analysis

II. *Focusing on affordable housing, urban renewal and “campus + industrial park” markets and fully leveraging digital EPC advantages*

PC units are a traditional business of Broad Homes, serving as the Company’s foundation at present. This year, the Company will continue to serve projects with high-quality cash flow. Digital EPC, on the other hand, represents the Company’s future core business. By digitizing the entire process of design, production, logistics, construction and operation maintenance, it achieves fully prefabricated and integrated construction and high productization of buildings, and brings prefabricated buildings back to the essence of being “good, fast and economical”. Broad Homes will leverage its leading technology and intelligent manufacturing advantages, and further focus on advantageous projects such as “campus + industrial park” and urban renewal, thereby shifting the Company’s business focus from low-value dependence on real estate to a higher-value proposition anchored in industrialization, productization and digitalization within the construction sector.

In the first half of 2024, the Company delivered a group of benchmark “campus + industrial park” projects in multiple locations across the country, receiving consistent praise and recognition from customers and the market, which has significantly expanded Broad Homes’ influence and competitiveness in this sector. For example, in the overall apartment relocation project of Xiangtan Geely College, four apartment buildings (nearly 900 dormitory rooms) were delivered within 30 days, achieving cost control with significant profits despite greatly undercutting traditional budget estimates. During the 14th Five-Year Plan period, China plans to develop 9 million units of affordable rental housing (accounting for 26% of new additions), with many regions already introducing policies that require or encourage the use of prefabricated construction. According to data for the year of 2023, the total area of primary and secondary school buildings across the country amounted to 2.73 billion square meters, and the total size of industrial parks reached nearly 20 billion square meters, indicating substantial demand for large-scale renovations and expansions. The Company will fully leverage the advantages of digital EPC, while actively cooperating with local governments, industrial parks and park operators to expand the market, innovate business models, harness resources for business expansion, and shape the brand influence of Broad Homes in the “campus + industrial park” sector.

Since the release of the “Guiding Opinions of the General Office of the State Council on Comprehensive Promotion of the Renovation of Old Urban Residential Areas” in 2020, the renovation of old urban residential areas has become a major national livelihood and development project. Minister of MOHURD Ni Hong stated at the Second Session of the Fourteenth National People’s Congress in March 2024 that 50,000 old residential areas will be renovated nationwide by 2024. In the process of exploring the renovation of old urban residential areas, the method of reconstruction on the original site has gained increasing support and calls from more residents due to its advantages such as saving land resources, reducing costs, increasing asset value, and maintaining community sense of belonging. Following projects like Zhejiang Xincun in Hangzhou, Building No. 8 of Huapichang Hutong in Beijing, and Building No. 2 of Jiqun Street in Guangzhou, the 601 Community in Cigutang, Zhuzhou, Hunan also initiated a reconstruction plan on the original site during the year. With a total construction area of nearly 20,000 square meters, the owners self-funded the project. In the first phase, through a vote by the owners, Broad Homes obtained the design and construction rights. As Hunan’s first same-site reconstruction project, it holds significant value and meaning. The Company will strive to create high-quality products, meticulously carry out construction, accumulate experience, and participate in more urban renewal projects with the core competitiveness of rapid delivery, aiming to help more residents transition from “worrying homes” to “excellent homes” by providing high-quality and cost-effective residential housing.

Management Discussion and Analysis

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

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

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

IV. Industrial verticalization – a new market for prefabricated construction industry

The “heavy load and overload” prefabricated industrial verticalization technology of Broad Homes offers significant advantages, including high assembly efficiency, lightweight structure, large span capabilities, heavy load capacity, spacious floor heights, flexible layouts, efficient vertical transportation of heavy loads and large components, vibration isolation, noise reduction between floors, and eco-friendly and low-carbon characteristics. The construction process is quick and cost-effective without the need for support or formwork. Industrial parks in Shenzhen, Chongqing, Hainan, Liaoning, Chongqing, Fujian, Jiangxi and Xinjiang are promoting “industrial verticalization” and the green and high-quality development in the construction industry.

Management Discussion and Analysis

V. Vigorously promoting overseas expansion in international market by jointly supporting the “Belt and Road” initiative and seizing new opportunities for mutual development

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

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

Management Discussion and Analysis

2. RESULTS OF OPERATIONS

The table below sets out a summary of our consolidated results for the periods indicated:

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Revenue	844,435	939,241
Cost of sales	(673,336)	(727,669)
Gross profit	171,099	211,572
Net valuation gains on investment properties	457	15,157
Other net income	21,859	8,254
Selling and distribution expenses	(101,529)	(104,636)
General and administrative expenses	(153,706)	(121,510)
Research and development expenses	(40,594)	(50,194)
Impairment (loss)/reversal in trade and other receivables and contract assets	(35,991)	3,205
Loss from operations	(138,405)	(38,152)
Finance costs	(61,550)	(56,785)
Fair value changes on financial assets at fair value through profit or loss	(57,199)	(10,256)
Share of profits less losses of associates	(48,647)	(4,299)
Gains on disposal of subsidiaries	160	–
Losses on disposal of financial assets at fair value through profit or loss	–	(4,220)
(Loss) before taxation	(305,641)	(113,712)
Income tax	4,240	8,718
(Loss) for the period	(301,401)	(104,994)
Including: attributable to shareholders of the Company	(296,329)	(102,780)
attributable to non-controlling shareholders	(5,072)	(2,214)
Basic and diluted earnings per share (RMB)	(0.62)	(0.22)

Management Discussion and Analysis

Revenue

Our revenue decreased by 10.1% from RMB939.2 million for the six months ended June 30, 2023 to RMB844.4 million for the six months ended June 30, 2024.

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, 2024		June 30, 2023	
	Amount RMB'000	As a percentage of total revenue	Amount RMB'000	As a percentage of total revenue
PC unit manufacturing	766,851	90.8%	817,063	86.9%
PC equipment manufacturing	70	0.0%	648	0.1%
Modular integrated product manufacturing business	47,084	5.6%	29,796	3.2%
Digital EPC	30,430	3.6%	91,734	9.8%
Revenue	844,435	100.0%	939,241	100.0%

The revenue from PC unit manufacturing business decreased by 6.1% from RMB817.1 million for the six months ended June 30, 2023 to RMB766.9 million for the six months ended June 30, 2024; and the revenue from this segment as a percentage of total revenue increased from 86.9% for the six months ended June 30, 2023 to 90.8% for the six months ended June 30, 2024. This was primarily attributable to the decrease in sales volume due to slowdown in progress of certain projects.

The revenue from PC equipment manufacturing business decreased by 89.2% from RMB0.6 million for the six months ended June 30, 2023 to RMB0.1 million for the six months ended June 30, 2024; due to completion of the layout of the Joint Factories, the revenue from this segment only accounted for a very small percentage of total revenue.

The revenue from modular integrated product manufacturing business increased by 58.0% from RMB29.8 million for the six months ended June 30, 2023 to RMB47.1 million for the six months ended June 30, 2024; and the revenue from this segment as a percentage of total revenue increased from 3.2% for the six months ended June 30, 2023 to 5.6% for the six months ended June 30, 2024. This was primarily attributable to the year-on-year increase in orders.

The revenue from digital EPC business decreased by 66.8% from RMB91.7 million for the six months ended June 30, 2023 to RMB30.4 million for the six months ended June 30, 2024; and the revenue from this segment as a percentage of total revenue decreased from 9.8% for the six months ended June 30, 2023 to 3.6% for the six months ended June 30, 2024. This was primarily attributable to the slowdown in progress of certain projects.

Management Discussion and Analysis

Cost of sales

Our cost of sales decreased by 7.5% from RMB727.7 million for the six months ended June 30, 2023 to RMB673.3 million for the six months ended June 30, 2024.

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, 2024		June 30, 2023	
	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	606,716	90.1%	638,115	87.7%
PC equipment manufacturing	34	0.0%	449	0.1%
Modular integrated product manufacturing business	45,664	6.8%	29,840	4.1%
Digital EPC	20,922	3.1%	59,265	8.1%
Cost of sales	673,336	100.0%	727,669	100.0%

The cost of sales of PC unit manufacturing business decreased by 4.9% from RMB638.1 million for the six months ended June 30, 2023 to RMB606.7 million for the six months ended June 30, 2024, 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 92.4% from RMB0.4 million for the six months ended June 30, 2023 to RMB0.03 million for the six months ended June 30, 2024.

The cost of sales of modular integrated product manufacturing business increased by 53.0% from RMB29.8 million for the six months ended June 30, 2023 to RMB45.7 million for the six months ended June 30, 2024, which was mainly due to the increase in costs as a result of the increase in revenue.

The cost of sales of Digital EPC business decreased by 64.7% from RMB59.3 million for the six months ended June 30, 2023 to RMB20.9 million for the six months ended June 30, 2024, which was mainly due to the decrease in costs as a result of the decrease in revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

Our gross profit decreased by 19.1% from RMB211.6 million for the six months ended June 30, 2023 to RMB171.1 million for the six months ended June 30, 2024; and gross profit margin decreased from 22.5% for the six months ended June 30, 2023 to 20.3% for the six months ended June 30, 2024.

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, 2024		June 30, 2023	
	Amount RMB'000	Gross profit margin %	Amount RMB'000	Gross profit margin %
PC unit manufacturing	160,135	20.9%	178,948	21.9%
PC equipment manufacturing	36	51.4%	199	30.7%
Modular integrated product manufacturing business	1,420	3.0%	(44)	-0.1%
Digital EPC	9,508	31.2%	32,469	35.4%
Gross profit and gross profit margin	171,099	20.3%	211,572	22.5%

The gross profit of PC unit manufacturing business decreased by 10.5% from RMB178.9 million for the six months ended June 30, 2023 to RMB160.1 million for the six months ended June 30, 2024; and the gross profit margin decreased from 21.9% for the six months ended June 30, 2023 to 20.9% for the six months ended June 30, 2024, which was mainly due to the decrease in revenue scale.

Gross profit from PC equipment manufacturing business decreased by 81.9% from RMB0.2 million for the six months ended June 30, 2023 to RMB0.04 million for the six months ended June 30, 2024; and gross profit margin increased from 30.7% for the six months ended June 30, 2023 to 51.4% for the six months ended June 30, 2024.

Gross profit from modular integrated product manufacturing business increased from RMB-0.04 million for the six months ended June 30, 2023 to RMB1.4 million for the six months ended June 30, 2024; and gross profit margin increased from -0.1% for the six months ended June 30, 2023 to 3.0% for the six months ended June 30, 2024, which was mainly due to the increase in gross profit and gross profit margin driven by the increase in revenue.

The gross profit of digital EPC business decreased by 70.7% from RMB32.5 million for the six months ended June 30, 2023 to RMB9.5 million for the six months ended June 30, 2024; and the gross profit margin decreased from 35.4% for the six months ended June 30, 2023 to 31.2% for the six months ended June 30, 2024, which was mainly due to the decrease in revenue scale.

Management Discussion and Analysis

Net valuation gains on investment properties

We recorded valuation gains on investment properties of RMB0.5 million for the six months ended June 30, 2024, as compared to RMB15.2 million for the six months ended June 30, 2023.

Other net income

Our other income consists primarily of government grants, lease income from investment properties, compensation income and gains on disposal of property, plant and equipment and right-of-use assets. Other income increased by 164.8% from RMB8.3 million for the six months ended June 30, 2023 to RMB21.9 million for the six months ended June 30, 2024, which was mainly due to the increase in government grants and compensation income.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Government grants	12,196	10,215
Operating lease income from rent of investment properties	2,559	2,608
Compensation income	5,915	–
Gains on disposal of property, plant and equipment and right-of-use assets	1,430	390
(Loss) on disposal of investment properties (including assets held for sale)	–	(6,845)
Dividend income	–	1,980
Others	(241)	(94)
Total	21,859	8,254

Management Discussion and Analysis

Sales and distribution expenses

Our sales and distribution expenses mainly include freight, staff remuneration and depreciation and amortization, etc. Such expenses decreased by 3.0% from RMB104.6 million for the six months ended June 30, 2023 to RMB101.5 million for the six months ended June 30, 2024, and such expenses as a percentage of our revenue increased from 11.1% to 12.0%, which was mainly due to (i) the decrease in staff remuneration and promotion fee; and (ii) offset by the increase in freight.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Freight	52,760	48,428
Staff remuneration	28,610	31,680
Operation cost, promotion fee, etc.	13,576	17,684
Depreciation and amortization	2,499	3,196
After-sale service fee	410	379
Vehicle utilization fee	1,313	908
Others	2,361	2,361
Total	101,529	104,636

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, depreciation and amortization and intermediary consulting fees. Such expenses increased by 26.5% from RMB121.5 million for the six months ended June 30, 2023 to RMB153.7 million for the six months ended June 30, 2024, and such expenses as a percentage of our revenue increased from 12.9% to 18.2%, which was mainly due to (i) the increase in impairment of inventories; (ii) the increase in share-based payment of remuneration; and (iii) the increase in intermediary consulting fees.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Staff remuneration	37,669	29,886
Including: Share-based payment expenses	4,977	–
Business taxes and surcharges	12,537	11,364
Depreciation and amortization	41,945	40,092
Loss on impairment of inventories	9,638	–
Office expenses, travel expenses	6,294	7,768
Intermediary consulting fees	30,116	17,683
Others	15,507	14,717
Totals	153,706	121,510

Management Discussion and Analysis

Research and development expenses

Our research and development expenses primarily consist of staff remuneration, experiment and material costs and depreciation and amortization. The total research and development expenses decreased by 16.6% from RMB77.9 million for the six months ended June 30, 2023 to RMB64.9 million for the six months ended June 30, 2024. For the six months ended June 30, 2024 and the six months ended June 30, 2023, RMB40.6 million and RMB50.2 million of our research and development expenses were incurred, respectively, and RMB24.4 million and RMB27.7 million of our research and development expenses were capitalized, accounting for 37.5% and 35.6% of our total research and development expenses, respectively. We will continue to make reasonable investments in research and development based on the principle of cost reduction and efficiency enhancement.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Staff remuneration	28,742	33,838
Experiment and material costs	30,631	36,888
Depreciation and amortization	2,269	3,224
Others	3,307	3,965
Total research and development expenses	64,949	77,915
Capitalization of research and development expenses	(24,355)	(27,721)
Total	40,594	50,194

Impairment loss – trade and other receivables and contract assets

Our impairment loss-trade and other receivables and contract assets increased from a reversal of RMB3.2 million for the six months ended June 30, 2023 to a provision of RMB36.0 million for the six months ended June 30, 2024.

Management Discussion and Analysis

Finance costs

Our finance costs consist primarily of interest on bank loans and other borrowings and interest on lease liabilities. Finance costs increased by 8.4% from RMB56.8 million for the six months ended June 30, 2023 to RMB61.6 million for the six months ended June 30, 2024, which was mainly due to (i) the decrease in capitalized interest; and (ii) the decrease in interest income.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Interest on bank loans and other borrowings	65,670	68,533
Interest on lease liabilities	7,645	5,153
Interest income	(3,156)	(5,660)
Net foreign exchange loss/(gain)	–	(10)
Less: interest expense capitalised into construction in progress	(8,609)	(11,231)
Total	61,550	56,785

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

Our loss on such fair value changes amounted to RMB57.2 million for the six months June 30, 2024, as compared to loss on such fair value changes of RMB10.3 million for the six months June 30, 2023.

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.

Management Discussion and Analysis

The fair value of Joint Factories as financial assets at fair value through profit or loss was determined by valuation. The Company determined the value primarily based on independent valuation reports prepared by valuer. The Company determined the fair value of the relevant financial assets using the comparable transactions method and the comparable company method under the market approach and the net asset method under the cost approach according to the different development stages of the Joint Factories. Among the 49 Joint Factories re-measured as financial assets at fair value through profit or loss, (i) 16 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) 24 were in the rapid development period, and for the six months June 30, 2024, we recorded gain on such fair value change of RMB8.5 million; and (iii) the remaining 9 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, 2024, we recorded loss on such fair value change of RMB65.7 million.

Share of profits less losses of associates

Our share of profits less losses of associates was calculated by the profit less loss attributable to us from our associates pursuant to our equity interests in such associates. We recorded a loss on our investment in the associates as a whole during the Reporting Period. Share of profits less losses of associates increased from a loss of RMB4.3 million for the six months ended June 30, 2023 to a loss of RMB48.6 million for the six months ended June 30, 2024, which was mainly due to the decrease in overall revenue of primary factories as compared to the same period of last year affected by the environment of the property industry.

Gains on disposal of a subsidiary

During the six months ended June 30, 2024, we disposed of one subsidiary and recorded gains of RMB0.2 million, which did not constitute a material disposal under paragraph 32(5) of Appendix D2 of the Hong Kong Listing Rules, and during the six months ended June 30, 2023, we did not dispose of any subsidiaries and had no such gains.

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

During the six months ended June 30, 2024, we did not dispose of any financial assets at fair value through profit or loss and therefore did not record such losses. For 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.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. We recorded income tax credit of RMB4.2 million for the six months ended June 30, 2024 and income tax credit of RMB8.7 million for the six months ended June 30, 2023.

(Loss) for the period

In view of the above, our (loss) for the period increased by 187.1% from RMB105.0 million for the six months ended June 30, 2023 to RMB301.4 million for the six months ended June 30, 2024.

Management Discussion and Analysis

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at June 30, 2024, our balance of cash and cash equivalents amounted to RMB95.0 million while as at June 30, 2023, our cash and cash equivalents were RMB208.4 million.

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

	Six months ended	
	June 30, 2024 RMB'000	June 30, 2023 RMB'000
Net cash generated from operating activities	166,993	315,322
Net cash (used in) investing activities	(35,099)	(104,593)
Net cash (used in) financing activities	(415,302)	(361,381)
Net (decrease) in cash and cash equivalents	(283,408)	(150,652)
Effect of foreign exchange rate changes	–	10
Cash and cash equivalents at the beginning of the period	378,415	359,003
Cash and cash equivalents at the end of the period	95,007	208,361

Net cash generated from operating activities

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

For the six months ended June 30, 2024, our net cash generated from operating activities was RMB167.0 million, mainly due to loss before income tax of RMB305.6 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including depreciation and amortization of RMB155.0 million, equity-settled share-based payments of RMB5.0 million, bad debt provision of RMB45.6 million, government grant amortization benefit of RMB2.9 million, finance expenses of RMB61.6 million, gains on disposal of property, plant and equipment and right-of-use assets of RMB1.4 million, share of profits less losses of associates of RMB48.6 million, losses on fair value change of financial assets at fair value through profit or loss of RMB57.2 million, gains on disposal of subsidiaries of RMB0.2 million, and valuation gains on investment properties of RMB0.5 million; and (ii) changes in working capital, mainly including an increase in inventory of RMB10.0 million, an increase in trade and other receivables of RMB79.9 million, an increase in trade and other payables of RMB205.9 million, an increase in contract assets of RMB5.7 million, a decrease in contract liabilities of RMB3.7 million and income tax paid of RMB2.2 million.

Management Discussion and Analysis

Net cash used in investing activities

For the six months ended June 30, 2024, our net cash used in investing activities was RMB35.1 million, mainly attributable to (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB54.9 million; (ii) proceeds from disposal of property, plant and equipment, right-of-use assets and intangible assets of RMB12.6 million; (iii) proceeds from disposal of equity interest in subsidiaries of RMB1.6 million; and (iv) proceeds from other investing activities of RMB5.7 million.

Net cash used in financing activities

For the six months ended June 30, 2024, our net cash used in financing activities was RMB415.3 million, mainly due to (i) proceeds from borrowings of RMB867.0 million; (ii) repayment of borrowings of RMB1,176.6 million; (iii) repayment of interest on borrowings of RMB71.6 million; (iv) dividend paid to non-controlling interest of RMB8.0 million; and (v) principal and interest of lease liabilities paid of RMB26.1 million.

Net current liabilities

Our net current liabilities amounted to RMB806.1 million as at June 30, 2024 and our net current liabilities amounted to RMB918.6 million as at December 31, 2023. We will improve our net current liabilities position and maintain our operation as a going concern through the following measures: (i) at June 30, 2024, the Group had sufficient unutilised banking facilities amounted to RMB2,213.8 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, 2024, the Group generated net cash from operating activities amounted to RMB169.1 million. The Group's expected net cash inflows from operating activities for future 12 months starting from the end of the current reporting period, taking into accounts of the measures of the Group to reduce costs and increase efficiency; (iii) the Group will continue to implement measures to accelerate the progress of its PC unit manufacturing contracts on hand, and to speed up the collection of sale proceeds and other receivables; (iv) the Group continues adopting strict controls on its expenditure of investing activities; (v) the Group expects to obtain additional cash inflows from disposal of investment properties; (vi) the Group expects to obtain cash inflows from disposal of interest in certain financial assets; and (vii) the Group obtains cash inflows by introducing equity financing.

Borrowings

Our total borrowings decreased by RMB197.9 million from RMB3,566.6 million as at December 31, 2023 to RMB3,368.7 million as at June 30, 2024. As at June 30, 2024, we had bank facilities of approximately RMB5,311.2 million (credit facilities), of which approximately RMB2,213.8 million remains unutilized.

Management Discussion and Analysis

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

As at June 30, 2024 and December 31, 2023, borrowings (including principal and interest) are repayable as follows:

	As at	
	June 30, 2024 RMB million	December 31, 2023 RMB million
Within 1 year	2,307.9	2,725.7
1-2 years	1,093.3	758.8
2-5 years	65.2	180.5
Over 5 years	-	-
Total	3,466.4	3,665.1

(2) Range of interest rates of borrowings

As at June 30, 2024, the interest rates of our borrowings are within the following range:

	Range of interest rates
Short-term borrowings	0%-4.7%
Long-term borrowings	3.15%-14.26%

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 by 64.3% from RMB154.1 million for the six months ended June 30, 2023 to RMB54.9 million for the six months ended June 30, 2024.

Pledge of assets

As at June 30, 2024 and December 31, 2023, our restricted bank deposits were RMB261.2 million and RMB192.4 million, respectively. Details of our other pledge of assets are set out in note 19 to the consolidated financial statements.

Management Discussion and Analysis

Off-balance sheet commitments and arrangements

For the six months ended June 30, 2024, we had no off-balance sheet arrangements.

Significant investments and capital assets and relevant future plan

For the six months ended June 30, 2024, 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

For the six months ended June 30, 2024, the Company had no major acquisition.

Major disposals

For the six months ended June 30, 2024, the Company had no major disposal.

Employees and remuneration policy

For the six months ended June 30, 2024, we had 2,053 full-time employees (average number for January to June 2024). Our total remuneration expenses decreased by 10.7% from RMB170.0 million for the six months ended June 30, 2023 to RMB151.8 million for the six months ended June 30, 2024.

Management Discussion and Analysis

Discretionary plan of the Company – 2021 medium and long-term incentive plan

In order to establish and improve the incentive and restrictive mechanism for the Company, and to attract, retain and motivate Directors, senior management members of the Company and outstanding key business personnel that the Company considers should be motivated, facilitate the effective implementation of the Company's strategic objectives and ensure the long-term stable development of the Company, a medium and long-term incentive plan (the **"2021 Medium and Long-Term Incentive Plan"**), including the restricted share incentive plan and the share option incentive plan, was approved for implementation by the Board of Directors and at the shareholders' general meeting of the Company on September 28, 2021 and October 22, 2021, respectively. The Company does not set a validity period for the 2021 Medium and Long-Term Incentive Plan, which shall remain in force unless terminated earlier pursuant to a resolution of the Board or a resolution of the general meeting of the Company. In view of the impact of the COVID-19 pandemic in China and the actual situation of the Company, on December 30, 2022, the Board has considered and agreed not to implement the 2021 Medium to Long-Term Incentive Plan in 2022. On July 6, 2023, the Board further clarified the allocation method of the 2021 Medium to Long-Term Incentive Plan, and entrusted the custodian to set up a single trust fund scheme to purchase 10 million H Shares of the Company in the secondary market, and the Company will make a virtual grant and registration of Shares for the incentive targets upon satisfaction of the conditions for granting, entrust the sale of Shares as and when appropriate, and the proceeds will be distributed based on the corresponding shareholding after the funds are settled. For avoidance of doubt, the plan and the related allocation method do not involve the grant of existing shares or new shares available for issue, or the grant of options over existing shares or new shares available for issue, of the Company or any of its subsidiaries, and therefore do not fall within the scope of the requirements of Chapter 17 of the Listing Rules. Statements in this report relating to the grant and vesting of H Shares in the Company do not represent actual grant and vesting. Please refer to the Company's announcements dated September 28, 2021, December 30, 2022 and July 6, 2023 and circular dated October 6, 2021 for details and update of the 2021 Medium and Long-Term Incentive Plan.

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

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

Management Discussion and Analysis

Under the restricted share incentive plan, the total amount of H Shares to be granted to the incentive targets will not exceed 3 million H Shares, representing 0.62% of the total number of issued Shares of the Company as at the date of this report. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) originally proposed to identify the incentive targets and implement the grants in 2022, the vesting of which will begin in 2023. The lock-up period of restricted shares is originally proposed to start from the date on which the restricted shares are granted to the incentive targets till December 31, 2022. The incentive targets are not required to contribute capital, and the amount for purchase of restricted shares will be paid by the Company.

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

Management Discussion and Analysis

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

Incentive targets	Date of grant (Note 1)	Movement of the number of H Shares under the 2021 Medium and Long-Term Incentive Plan during the Reporting Period					Not yet vested as at June 30, 2024
		Not yet vested as at January 1, 2024	Granted (Note 2, 5)	Vested (Note 3)	Lapsed	Cancelled	
Hu Shengli ^(Note 6) (former executive Director, former vice chairman, former president)	July 6, 2023	200,000	-	-	-	-	200,000
Shi Donghong (Executive Director, vice president, chief financial officer, secretary of the Board, joint company secretary)	July 6, 2023	200,000	-	-	-	-	200,000
Zhang Kexiang (Executive Director, vice president)	July 6, 2023	140,000	-	-	-	-	140,000
Tan Xinming (Executive Director, vice president)	July 6, 2023	200,000	-	-	-	-	200,000
Subtotal for Directors (including Directors resigned during the Reporting Period)		740,000	-	-	-	-	740,000
Employees	July 6, 2023	5,610,382	-	-	-	-	5,610,382
Subtotal for employees		5,610,382	-	-	-	-	5,610,382
Total		6,350,382	-	-	-	-	6,350,382
Five highest paid employees ^(Note 7)	July 6, 2023	520,000	-	-	-	-	520,000
Total (five highest paid employees)		520,000	-	-	-	-	520,000

Note 1: According to the rules of the restricted share incentive plan, after the expiration of the lock-up period of restricted shares and commencing from January 1, 2023, the persons authorized by the Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will determine whether vesting may occur. On July 6, 2023, the Board further clarified and authorized the management to decide at its sole discretion on the arrangements for the vesting of the Shares granted on July 6, 2023 based on actual situation during the period from July 6, 2023 to July 5, 2024. The Board made further decisions on July 5, 2024 with respect to the vesting arrangements for the shares granted on July 6, 2023, see "Management Discussion and Analysis – Significant Events After the Reporting Period" for further details.

Note 2: During the Reporting Period, no H Shares were granted by the Company under the 2021 Medium and Long-Term Incentive Plan.

Management Discussion and Analysis

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

Note 4: As at January 1, 2024 and June 30, 2024, the number of Shares available for grant under the 2021 Medium and Long-Term Incentive Plan was 3,649,618 H Shares and 3,649,618 H Shares, respectively.

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

Note 6: Mr. Hu Shengli has resigned as an executive Director, the vice chairperson and the president of the Company with effect from March 28, 2024. Please refer to the announcement of the Company dated March 28, 2024 for further details. For avoidance of doubt, the 20,000 H Shares granted to Mr. Hu Shengli on July 6, 2023 will not lapse as a result of his departure from the Company and have not been vested as of June 30, 2024.

Note 7: The five highest paid employees include three Directors and two non-Director employees.

As at June 30, 2024, the aggregate fair value of the H Shares granted on July 6, 2023 under the 2021 Medium and Long-Term Incentive Plan was RMB4,977,226. The estimated value of the H Shares granted to Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang, Mr. Tan Xinming, other eligible employees and the five highest paid employees on that date was RMB156,754, RMB156,754, RMB109,728, RMB156,754, RMB4,397,236 and RMB407,559, respectively.

Incentive Targets	Date of grant	Total number of Shares granted	Fair value of H shares granted RMB
Hu Shengli ^(Note)	July 6, 2023	200,000	156,754
Shi Donghong	July 6, 2023	200,000	156,754
Zhang Kexiang	July 6, 2023	140,000	109,728
Tan Xinming	July 6, 2023	200,000	156,754
Employees	July 6, 2023	5,610,382	4,397,236
Total		6,350,382	4,977,226
Five highest paid employees	July 6, 2023	520,000	407,559

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

Management Discussion and Analysis

4. COMMITMENTS

Capital Commitments

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

	As at	
	June 30, 2024 RMB'000	December 31, 2023 RMB'000
Contracted for		
– Construction and renovation of production facilities	84,092	101,099
– Capital contributions to Joint Factories	25,200	25,200
Total	109,292	126,299

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, 2024	June 30, 2023
Current ratio ⁽¹⁾	0.8	0.7
Quick ratio ⁽²⁾	0.7	0.6
Loan-to-equity ratio ⁽³⁾	117.3%	108.2%
Return on total assets ⁽⁴⁾	-7.3%	-2.3%
Return on equity ⁽⁵⁾	-20.2%	-6.4%
Interest coverage ratio ⁽⁶⁾	-4.0	-1.0

Notes:

- (1) Current ratio equals to current assets divided by current liabilities as of the end of the period.
- (2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the period.
- (3) Loan-to-equity ratio equals to total interest-bearing bank and other borrowings divided by total equity as of the end of the period.
- (4) Return on total assets equals to (loss)/profit for the period divided by average of total assets at the beginning and end of the period.
- (5) Return on equity equals to (loss)/profit for the period divided by average of total equity at the beginning and end of the period.
- (6) Interest coverage ratio equals to (loss)/profit before interest and taxation for the period divided by finance costs.
- (7) Key financial ratios as at June 30, 2024 are presented on an annualized basis and are calculated by dividing the financial data for the six months ended June 30, 2024 by 180, and multiplying by 365.

Management Discussion and Analysis

Current Ratio

Our current ratio increased from 0.7 as at June 30, 2023 to 0.8 as at June 30, 2024. 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 increased from 0.6 as at June 30, 2023 to 0.7 as at June 30, 2024. 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 108.2% as at June 30, 2023 to 117.3% as at June 30, 2024.

Return on Total Assets

Our return on total assets decreased from -2.3% for the six months ended June 30, 2023 to -7.3% for the six months ended June 30, 2024.

Return on Equity

Our return on equity decreased from -6.4% for the six months ended June 30, 2023 to -20.2% for the six months ended June 30, 2024.

Interest Coverage Ratio

Our interest coverage ratio decreased from -1.0 times for the six months ended June 30, 2023 to -4.0 times for the six months ended June 30, 2024.

Management Discussion and Analysis

6. LIQUIDITY RISK

In addition to the responding measures as set out in “Management Discussion and Analysis – Net current liabilities”, We have adopted stricter and more efficient payment collection measures, strengthened the assessment of our internal payment collection organization, assigned responsibilities to specific individuals, broken down tasks into months and weeks, linked the payment collection tasks with the individual salary, and have achieved initial progress by taking a series of measures to ensure that we have sufficient liquidity. Meanwhile, our objective is to ensure continuity of sufficient funding and funding flexibility by utilizing a variety of borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our subsidiaries may arrange their liquidity, including short-term investment of surplus cash to satisfy their cash requirement, at their discretion according to their operating conditions and business needs, subject to the approval from the Board in the event beyond their entitlement. We constantly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash reserve and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

Moreover, we actively and regularly review and manage our capital structure and adjust our capital structure in light of changes in economic condition. During the Reporting Period, we did not make any changes in the objectives, policies or process of capital management.

7. CREDIT RISK

Our credit risk is primarily attributable to trade debtors and bills receivable. We have limited exposure to credit risks from our cash and cash equivalents and use of restricted bank deposits since the counterparties are banks which we assess with low credit risk. Furthermore, we believe that we are exposed to limited bad debt risks. Our major customers are investment entities, construction companies and enterprises and institutions controlled by the government, the credit risk of which is assessed to be insignificant.

We have established credit policies to continuously monitor our credit risks. Our credit risk is mainly affected by the individual characteristics of each customer rather than the industries or country in which the customers operate, and therefore concentration of credit risk primarily arises when we have significant exposure to individual customers. In this regard, we conduct individual credit assessment on customers requiring credit over a certain amount to manage the risks. Those assessments focus on the payment history and the current payment ability of customers, and take into account information specific to the customer as well as in relation to economic environment in which the customer operates. We will continuously monitor the condition of our receivables balance.

Turnover days of trade debtors and bills receivable

Our overall turnover days of trade debtors and bills receivable increased from 536 days for the six months ended June 30, 2023 to 557 days for the six months ended June 30, 2024. The turnover days of trade debtors and bills receivable of our PC unit manufacturing business decreased from 570 days for the six months ended June 30, 2023 to 565 days for the six months ended June 30, 2024.

Management Discussion and Analysis

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, 2024, balance of fixed-rate borrowings amounted to RMB2,081.5 million, with the fixed interest rate ranging from 0% to 14.26% per annum. The balance of floating-rate borrowings amounted to RMB1,287.2 million, with floating interest rate ranging from 3% to 12.39% 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 during the six months ended June 30, 2024.

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 vesting of a total of 6,243,000 H Shares to a total of 147 incentive targets on July 5, 2024, including three executive Directors, two Supervisors and other senior management members or outstanding key business personnel of the Company. Please also refer to the Company's announcement dated July 5, 2024.

Save as disclosed in note 26 to the consolidated financial statements, from the end of the Reporting Period to the date of this interim report, there were no other events with a significant 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 C1 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, except for code provision C.2.1 as set out below.

As required by code provision C.2.1 of the Corporate Governance Code, the roles of chairman of the board of directors and president should be separate and should not be performed by the same person at the same time. The division of responsibilities between the chairman of the board of directors and the president should be clearly established and set out in writing.

During the period from March 28, 2024 to June 30, 2024, Mr. Zhang Jian served as both the chairman of the Board and the president of the Company (the "**President**"), which constituted a deviation from code provision C.2.1.

However, the Board is of the view that it is in the interest of the Company for Mr. Zhang Jian to vest the roles of both the chairman of the Board and the President in order to provide consistent leadership within the Group, facilitate the prompt execution of the Group's business strategies and enhance operational efficiency. The Board also believes that the balance of power and authority under this arrangement will not be jeopardized as all major decisions are made after discussion with the Board as a whole as well as the relevant special committees under the Board, which comprise experienced and highly caliber individuals, together with the four independent non-executive Directors, who are responsible for providing independent advice to the Board and overseeing the management and operations of the Company. The Board will review and consider the effectiveness of this arrangement on a regular basis, taking into account the overall situation of the Group, and may elect a new President for replacement as and when appropriate.

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, 2024.

INTERIM DIVIDEND

On August 30, 2024, the Board resolved not to declare any interim dividend for the six months ended June 30, 2024.

Corporate Governance and Other Information

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 of the Company, has reviewed the unaudited interim consolidated results and the interim report of the Company for the six months ended June 30, 2024. 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
Zhang Jian	Appointed as the President of the Company
Hu Shengli	Resigned as an executive Director, the vice chairperson of the Board and the President 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, 2024, save for those described in the section headed "Management Discussion and Analysis – Working Capital and Capital Resources – Employees and Remuneration Policy – Discretionary Plan of the Company – 2021 Medium and Long-Term Incentive Plan", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's H Shares (including any treasury shares). During the six months ended June 30, 2024, the Company did not hold any treasury shares.

Corporate Governance and Other Information

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, 2024, balance of the unutilized net proceeds was approximately HK\$0.14 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, 2024:

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, 2024) (HK\$ million)	Amount Unutilized (as at June 30, 2024) (HK\$ million)	Expected Time for Utilization of Unutilized Amount
(I)	Expanding PC Unit Manufacturing Business	45	500.30	0	500.22	0.08	
(1)	Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36.97	410.97	0	410.9	0.08	Before December 31, 2024
(2)	Expanding Factories and Upgrading Equipment in Existing Regional Production Centers	8.03	89.32	0	89.32	0	–
(II)	Expansion in Overseas and Domestic Markets, Establishing Technology and Production Centers Targeting Overseas and Domestic Markets	7.04	78.28	0	78.28	0	–
(III)	Developing and Expanding Intelligent Equipment Business	5.09	56.56	0	56.56	0	–
(IV)	Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	4.41	49.07	0	49.07	0	–
(V)	Working Capital and Other General Corporate Purposes	38.45	427.50	0	427.44	0.06	Before December 31, 2024
Total		100	1,111.70	0	1,111.56	0.14	

Corporate Governance and Other Information

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

As of June 30, 2024, the Directors, Supervisors and the chief executives of the Company had the following interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate	Approximate	Approximate	Long position/ Short position/ Lending pool
				percentage of the total issued Shares of the Company %	percentage of the total issued Domestic Shares of the Company %	percentage of the total issued H Shares of the Company %	
Mr. Zhang Jian	Domestic Shares	Beneficial owner Interest held by controlled corporations	10,053,540	2.06	5.65	–	Long position
			58,614,460 (Note 2)	12.02	32.96	–	Long position
	H Shares	Beneficial owner Interest held by spouse	150,000,000 10,431,600 (Note 3)	30.76 2.14	– –	48.42 3.37	Long position 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 Interest held by spouse	1,800,000	0.37	1.01	–	Long position
			5,136,000 (Notes 4 and 5)	1.05	2.89	–	Long position
	H Shares	Beneficial owner Interest held by spouse	200,000 3,876,000 (Note 6)	0.04 0.79	– –	0.06 1.25	Long position Long position
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
	H Shares	Beneficial owner	140,000	0.03	–	0.05	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
	H Shares	Beneficial owner	200,000	0.04	–	0.06	Long position
Mr. Zhang Quanxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 7)	5.21	14.29	–	Long position

Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- (2) Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司) (“**Broad Lingmu**”) directly holds 25,776,660 Domestic Shares and indirectly holds 14,237,800 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)* (長沙高新開發區大鑫投資管理合夥企業(有限合夥)) (“**Daxin Investment**”) directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd.* (湖南大正投資股份有限公司) (“**Dazheng Investment**”) directly holds 9,101,800 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業(有限合夥)) (“**Fuyang Shangjiu**”) directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds approximately 67.94% partnership interest in Daxin Investment. Mr. Zhang Jian indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (3) Ms. Liu Hui (柳慧女士), the spouse of Mr. Zhang Jian, directly holds 10,431,600 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 10,431,600 H Shares for the purpose of Part XV of the SFO.
- (4) Each of Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming has been granted certain Shares through Daxin Investment and Dazheng Investment, being employee stock ownership platforms of the Company.
- (5) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 5,136,000 Domestic Shares. Therefore, Ms. Shi Donghong is deemed to be interested in 5,136,000 Domestic Shares for the purpose of Part XV of the SFO.
- (6) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 3,876,000 H Shares. Therefore, Ms. Shi Donghong is deemed to be interested in 3,876,000 H Shares for the purpose of Part XV of the SFO.
- (7) Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業(有限合夥)) (“**Yuanzhi Fuhai**”) directly holds 25,404,000 Domestic Shares. The general partner of Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by the Shenzhen SASAC and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) which is ultimately controlled by Mr. Zhang Quanyun and Mr. Zhao Hui (趙輝先生). Therefore, Mr. Zhang Quanyun 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, 2024, none of the Directors, Supervisors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at June 30, 2024, as far as the Directors are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Broad Lingmu	Domestic Shares	Beneficial owner	25,776,660	5.29	14.50	-	Long position
		Interest held by controlled corporations	14,237,800 (Note 3)	2.92	8.00	-	Long position
Hunan Xiangtan Caixin Chanxing Equity Investment Partnership (Limited Partnership)	Domestic Shares	Beneficial owner	49,500,000	10.15	27.84	-	Long Position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	10.46	-	Long position
Shanghai Xinji Investment Center (Limited Partnership)	Domestic Shares	Beneficial owner	27,560,000	5.65	15.50	-	Long Position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	14.29	-	Long position
Hunan Caixin Fund	Domestic Shares	Interest held by controlled corporations	10,000,000 (Note 6)	2.05	5.62	-	Long position
Dazheng Investment	Domestic Shares	Beneficial owner	9,101,800	1.87	5.12	-	Long position

Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- (2) According to section 336 of the SFO, the Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the Shareholder's shareholding in the Company changes, unless certain criteria are fulfilled, the Shareholder need not notify the Company and the Hong Kong Stock Exchange. Therefore, the latest shareholder's shareholding in the Company may be different from that filed with the Hong Kong Stock Exchange.
- (3) Broad Lingmu directly holds 25,776,660 Domestic Shares, Dazheng Investment directly holds 9,101,800 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (4) Daxin Investment is an employee stock ownership platform of the Company.
- (5) The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) is ultimately controlled by Mr. Zhang Quanxun and Mr. Zhao Hui (趙輝先生). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業(有限合夥)), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司).
- (6) Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares, and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership) indirectly holds 5,000,000 Domestic Shares. Hunan Caixin Fund directly holds 100% equity interest in Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership). Therefore, Hunan Caixin Fund is deemed to be interested in the 5,000,000 Domestic Shares held by Hunan Caixin Jingyuan Equity Investment Partnership (Limited Partnership) and 5,000,000 Domestic Shares held by Hunan Caixin Jingjin Equity Investment Partnership (Limited Partnership), for the purpose of the SFO.

Save as those disclosed above, as at June 30, 2024, 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.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	4	844,435	939,241
Cost of sales		(673,336)	(727,669)
Gross profit		171,099	211,572
Net valuation gains on investment properties	9	457	15,157
Other net income	5	21,859	8,254
Sales and distribution expenses		(101,529)	(104,636)
General and administrative expenses		(189,697)	(118,305)
Research and development expenses		(40,594)	(50,194)
Loss from operations		(138,405)	(38,152)
Finance costs	6(a)	(61,550)	(56,785)
Fair value changes on financial assets at fair value through profit or loss	23	(57,199)	(10,256)
Share of profits less losses of associates	12	(48,647)	(4,299)
Gains on disposal of a subsidiary		160	–
Loss on disposal of financial assets at fair value through profit or loss		–	(4,220)
Loss before taxation	6	(305,641)	(113,712)
Income tax	7	4,240	8,718
Loss for the period		(301,401)	(104,994)
Attributable to:			
Equity shareholders of the Company		(296,329)	(102,780)
Non-controlling interests		(5,072)	(2,214)
Loss for the period		(301,401)	(104,994)
Basic and diluted loss per share (RMB)	8	(0.62)	(0.22)

The notes on pages 54 to 84 form part of this interim financial report.



Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Loss for the period		(301,401)	(104,994)
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		(301,401)	(101,544)
Attributable to:			
Equity shareholders of the Company		(296,329)	(99,330)
Non-controlling interests		(5,072)	(2,214)
Total comprehensive income for the period		(301,401)	(101,544)

The notes on pages 54 to 84 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current assets			
Investment properties	9	199,714	199,257
Property, plant and equipment	10	2,222,909	2,299,968
Intangible assets		339,276	341,327
Right-of-use assets	11	548,606	573,540
Goodwill		7,799	7,799
Interest in associates	12	242,904	302,548
Financial assets at fair value through profit or loss	13	1,368,861	1,426,060
Deferred tax assets		101,157	96,008
Total non-current assets		5,031,226	5,246,507
Current assets			
Contract assets	14(a)	5,886	208
Inventories	15	235,998	235,680
Trade and other receivables	16	2,438,860	2,628,370
Restricted and pledged bank deposits	17	261,216	192,407
Cash and cash equivalents	18	95,007	378,415
		3,036,967	3,435,080
Assets classified as held for sale	12	10,997	–
Total current assets		3,047,964	3,435,080
Total assets		8,079,190	8,681,587
Current liabilities			
Short-term borrowings	19(a)	2,234,702	2,652,389
Trade and other payables	20	1,437,618	1,506,739
Contract liabilities	14(b)	129,082	132,823
Lease liabilities	21	47,682	56,319
Deferred income		4,671	5,338
Current taxation		272	99
Total current liabilities		3,854,027	4,353,707
Net current liabilities		(806,063)	(918,627)
Total assets less current liabilities		4,225,163	4,327,880

The notes on pages 54 to 84 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Non-current liabilities			
Long-term borrowings	19(b)	1,133,955	914,200
Lease liabilities	21	135,302	143,474
Deferred income		66,799	68,989
Deferred tax liabilities		16,054	15,739
Total non-current liabilities		1,352,110	1,142,402
NET ASSETS		2,873,053	3,185,478
CAPITAL AND RESERVES			
Share capital		487,639	487,639
Reserves		2,106,754	2,398,106
Total equity attributable to equity shareholders of the Company		2,594,393	2,885,745
Non-controlling interests		278,660	299,733
TOTAL EQUITY		2,873,053	3,185,478

Approved and authorised for issue by the board of directors on August 30, 2024.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 54 to 84 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital	Treasury shares	Capital reserve	Statutory surplus reserve	Fair value reserve (non-recycling)	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 and 1 July 2023	487,639	(84,085)	2,304,603	147,819	2,032	321,536	3,179,544	90,452	3,269,996
Changes in equity for the six months ended 31 December 2023									
Loss for the period	-	-	-	-	-	(286,345)	(286,345)	(100)	(286,445)
Other comprehensive income	-	-	-	-	(2,686)	(764)	(3,450)	-	(3,450)
Total comprehensive income	-	-	-	-	(2,686)	(287,109)	(289,795)	(100)	(289,895)
Capital contribution from non-controlling interests	-	-	(8,981)	-	-	-	(8,981)	209,381	200,400
Equity settled share-based transactions	-	-	4,977	-	-	-	4,977	-	4,977
Grant of restricted shares	-	21,459	(21,459)	-	-	-	-	-	-
Balance at 31 December 2023	487,639	(62,626)	2,279,140	147,819	(654)	34,427	2,885,745	299,733	3,185,478
Balance at 1 January 2024	487,639	(62,626)	2,279,140	147,819	(654)	34,427	2,885,745	299,733	3,185,478
Changes in equity for the six months ended 30 June 2024									
Loss for the period	-	-	-	-	-	(296,329)	(296,329)	(5,072)	(301,401)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(296,329)	(296,329)	(5,072)	(301,401)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	41	41
Equity settled share-based transactions	-	-	4,977	-	-	-	4,977	-	4,977
Dividend paid/payable to non-controlling interest	-	-	-	-	-	-	-	(16,042)	(16,042)
Balance at 30 June 2024	487,639	(62,626)	2,284,117	147,819	(654)	(261,902)	2,594,393	278,660	2,873,053

The notes on pages 54 to 84 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Loss before taxation		(305,641)	(113,712)
Adjustments for:			
Depreciation and amortisation	6(c)	155,038	145,834
Gain on disposal of property, plant and equipment and right-of-use assets	5	(1,430)	(390)
Equity-settled share-based payment expenses	6(b)	4,977	–
Loss on disposal of investment properties	5	–	6,845
Impairment losses		45,629	(3,205)
Amortisation of government grants		(2,857)	(2,788)
Finance costs	6(a)	61,550	56,785
Gains on disposal of a subsidiary		(160)	–
Share of profits less losses of associates	12	48,647	4,299
Fair value changes on financial assets at fair value through profit or loss	23	57,199	10,256
Losses on disposal of other financial assets	5	–	4,220
Dividend income	5	–	(1,980)
Net valuation gains on investment properties	9	(457)	(15,157)
Changes in working capital:			
Increase in inventories		(9,957)	(8,154)
(Increase)/decrease in trade and other receivables		(79,883)	126,575
Increase in trade and other payables		205,929	89,715
(Increase)/decrease in contract assets		(5,679)	1,719
(Decrease)/increase in contract liabilities		(3,741)	26,533
Cash generated from operations		169,164	327,395
Income tax paid		(2,171)	(12,073)
Net cash generated from operating activities		166,993	315,322

The notes on pages 54 to 84 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2024 (Unaudited)
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		(54,943)	(140,584)
Payment for purchase of financial assets at fair value through profit or loss		–	(13,319)
Payment for interest in associates		–	(150)
Proceeds from disposal of property, plant and equipment		12,594	982
Proceeds from sales of financial assets at fair value through profit or loss		–	26,500
Proceeds from disposal of investment properties		–	16,318
Proceeds from disposal of subsidiary		1,590	–
Proceeds from other investing activities		5,660	5,660
Net cash used in investing activities		(35,099)	(104,593)
Financing activities			
Proceeds from non-controlling shareholders of subsidiaries		41	1,182
Proceeds from loans and borrowings		866,964	854,286
Repayment of loans and borrowings		(1,176,600)	(1,112,552)
Interest paid		(71,630)	(69,056)
Dividend paid to non-controlling interest		(8,000)	–
Capital element of lease rentals paid		(21,432)	(30,088)
Interest element of lease rentals paid		(4,645)	(5,153)
Net cash used in financing activities		(415,302)	(361,381)
Net decrease in cash and cash equivalents		(283,408)	(150,652)
Cash and cash equivalents at 1 January		378,415	359,003
Effect of foreign exchange rate changes		–	10
Cash and cash equivalents at 30 June	18	95,007	208,361

The notes on pages 54 to 84 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 and digital EPC.

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

2 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 2024.

The Group incurred a net loss of RMB301,401 thousand (six months ended 30 June 2023: RMB104,994 thousand) for the period ended 30 June 2024 and as at that date, the Group had net current liabilities of RMB806,063 thousand (2023: RMB918,627 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 2024, the Group had sufficient unutilised banking facilities amounted to RMB2,213,842 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 2024, the Group generated net cash from operating activities amounted to RMB169,119 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 2025.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 2024. 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 2024 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 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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 the Audit Committee of the Company.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* ("2020 amendments")
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* ("2022 amendments")
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are 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	
	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of PC units	787,986	817,063
– Sales of PC equipment	70	648
– Sales of Modular integrated products	47,084	29,796
– Construction contracts – EPC	9,295	91,734
	844,435	939,241

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

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of PC units, PC equipments, Modular integrated products and construction contracts – EPC that had an original expected duration of one year or less.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) 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		Digital EPC		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June										
Disaggregated by timing of revenue recognition										
Point in time	766,851	817,063	70	648	47,084	29,796	21,135	78,254	835,140	925,761
Over time	-	-	-	-	-	-	9,295	13,480	9,295	13,480
Revenue from external customers	766,851	817,063	70	648	47,084	29,796	30,430	91,734	844,435	939,241
Inter-segment revenue	38,000	66,755	-	-	-	-	-	-	38,000	66,755
Reportable segment revenue	804,851	883,818	70	648	47,084	29,796	30,430	91,734	882,435	1,005,996
Reportable segment profit/(loss)	(64,950)	(19,077)	2,011	12,774	(21,926)	(26,765)	3,613	28,276	(81,252)	(4,792)
Finance costs	(59,568)	(56,209)	(1,454)	(374)	(521)	(165)	(7)	(37)	(61,550)	(56,785)
Depreciation and amortisation for the period	(110,599)	(131,195)	(2,561)	(2,561)	(14,368)	(12,077)	(108)	(1)	(127,636)	(145,834)
As at 30 June/31 December										
Reportable segment assets	5,933,486	6,553,700	115,726	160,756	486,563	468,546	60,325	65,462	6,596,100	7,248,464
Reportable segment liabilities	1,732,313	2,114,427	70,784	102,971	132,089	154,720	30,969	18,593	1,966,155	2,390,711

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.



Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(d) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue		
Reportable segment revenue	882,435	1,005,996
Elimination of inter-segment revenue	(38,000)	(66,755)
Consolidated revenue	844,435	939,241
Loss		
Total reportable segment loss	(81,252)	(4,792)
Elimination of inter-segment loss	(6,847)	(3,010)
Finance costs	(61,550)	(56,785)
Unallocated head office and corporate expenses	(50,306)	(32,330)
Fair value changes on financial assets at fair value through profit or loss	(57,199)	(10,256)
Share of profits less losses of associates	(48,647)	(4,299)
Loss on disposal of financial assets at fair value through profit or loss	-	(4,220)
Gains on disposal of a subsidiary	160	-
Dividend income	-	1,980
Loss before taxation	(305,641)	(113,712)

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 OTHER NET INCOME

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Government grants	12,196	10,215
Gain on disposal of property, plant and equipment and right-of-use assets	1,430	390
Compensation income	5,915	–
Loss on disposal of investment properties	–	(6,845)
Operating lease income from rent of investment properties	2,559	2,608
Dividend income	–	1,980
Others	(241)	(94)
	21,859	8,254

6 LOSS BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest on bank loans and other borrowings	65,670	68,533
Interest on lease liabilities	7,645	5,153
Interest income	(3,156)	(5,660)
Net foreign exchange gain	–	(10)
Less: interest expense capitalised into construction in progress*	(8,609)	(11,231)
	61,550	56,785

* The borrowing cost have been capitalised at a rate of 4.15% per annum (six months ended 30 June 2023: 4.38%).



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6 LOSS BEFORE TAXATION (CONTINUED)

(b) Staff costs:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Salaries, wages, bonuses and other benefits	137,639	159,823
Equity-settled share-based payment expenses	4,977	–
Contributions to defined contribution retirement plan	9,186	10,205
	151,802	170,028

(c) Other items:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Amortisation		
– intangible assets	26,386	23,921
Depreciation		
– property, plant and equipment (note 10)	100,734	92,323
– right-of-use assets (note 11)	27,918	29,590
Impairment losses		
– trade and other receivables	35,991	(3,205)
– inventories	9,638	–
Cost of inventories (note 15(b))	487,840	439,872

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7 INCOME TAX

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current tax – PRC income tax		
Provision for the period	594	838
Current tax – Provision for PRC Land Appreciation Tax		
Provision for the period	–	4,855
Deferred tax		
Origination and reversal of temporary differences	(4,834)	(14,411)
	(4,240)	(8,718)

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 RMB296,329 thousand (six months ended 30 June 2023: RMB102,780 thousand) and the weighted average number of shares of 477,540,100 (six months ended 30 June 2023: 477,540,100). 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.

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9 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2023	224,536
Fair value adjustment	(22,817)
Additions	6,820
Transfer from construction in progress	62,685
Transfer from property, plant and equipment	7,992
Disposals	(79,959)
Balance at 31 December 2023	199,257
Fair value adjustment	457
Balance at 30 June 2024	199,714

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.

The Group leases out its investment properties and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset.

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 13 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

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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 2023	1,249,052	1,485,480	29,690	28,817	22,982	507,065	3,323,086
Additions	14,011	9,931	387	104	90	120,448	144,971
Transferred from construction in progress	16,327	132,455	-	-	-	(148,782)	-
Transferred to construction in progress	-	(4,741)	-	-	-	1,057	(3,684)
Transferred to investment properties	(8,226)	-	-	-	-	(62,685)	(70,911)
Disposals	(7,331)	(11,205)	(780)	(644)	(224)	-	(20,184)
Balance at 31 December 2023	1,263,833	1,611,920	29,297	28,277	22,848	417,103	3,373,278
Additions	1,628	81	860	-	52	22,283	24,904
Transferred from construction in progress	122	8,937	23	-	-	(9,082)	-
Transferred to construction in progress	-	(8,853)	-	-	-	8,853	-
Disposals	-	(3,493)	(144)	(533)	(30)	-	(4,200)
Balance at 30 June 2024	1,265,583	1,608,592	30,036	27,744	22,870	439,157	3,393,982
Accumulated depreciation:							
Balance at 1 January 2023	(189,567)	(656,268)	(21,709)	(17,767)	(15,957)	-	(901,268)
Depreciation charge for the year	(57,839)	(119,952)	(1,930)	(3,046)	(1,216)	-	(183,983)
Written back on transfer to construction in progress	-	3,684	-	-	-	-	3,684
Written back on transfer to investment properties	234	-	-	-	-	-	234
Written back on disposals	19	6,593	641	561	209	-	8,023
Balance at 31 December 2023	(247,153)	(765,943)	(22,998)	(20,252)	(16,964)	-	(1,073,310)
Depreciation charge for the period	(27,864)	(71,003)	(710)	(953)	(649)	-	(101,179)
Written back on disposals	-	2,744	139	506	27	-	3,416
Balance at 30 June 2024	(275,017)	(834,202)	(23,569)	(20,699)	(17,586)	-	(1,171,073)
Net book value:							
Balance at 30 June 2024	990,566	774,390	6,467	7,045	5,284	439,157	2,222,909
Balance at 31 December 2023	1,016,680	845,977	6,299	8,025	5,884	417,103	2,299,968

As at 30 June 2024, property, plant and equipment with carrying amounts of RMB540,146 thousand (31 December 2023: RMB351,857 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 19).

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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 2024 RMB'000	At 31 December 2023 RMB'000
Land use rights, carried at depreciated cost	(i)	382,928	390,725
Plant and buildings, carried at depreciated cost	(ii)	165,678	182,815
		548,606	573,540

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 2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	5,454	5,122
Plant and buildings	22,464	24,512
	27,918	29,634

	Six months ended 30 June 2024 RMB'000	2023 RMB'000
Expense relating to short-term leases	2,174	2,450

During the period, the disposals to right-of-use assets were RMB34 million (six months ended 30 June 2023 were additions: RMB57 million). This amount primarily related to the new lease and lease surrender of the plant and buildings.

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

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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 2024, certain land use rights with carrying amounts of RMB238,429 thousand (31 December 2023: RMB181,330 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 2023: 14 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 2024 and the year ended 31 December 2023. All of these associates are accounted for using the equity method in the six months ended 30 June 2024 and 2023. 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 2024 RMB'000	At 31 December 2023 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	253,901	302,548
Transfer to assets held for sale	(10,997)	–
Balance at 30 June 2024	242,904	302,548



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12 INTEREST IN ASSOCIATES (CONTINUED)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Aggregate amounts of the Group's share of those associates		
Losses from operations	(48,647)	(4,299)
Other comprehensive income	–	–
Total comprehensive income	(48,647)	(4,299)

Assets held for sale with carrying amount of RMB10,997 thousand as of 30 June 2024 will be disposed in October 2024 according to the agreement.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
	Financial assets at fair value through profit or loss – Equity investment	1,368,861

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
	Arising from performance under construction contracts	5,886
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 16)	25,129	26,913

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.

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14 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Billings in advance of performance	129,082	132,823
	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Balance at 1 January	132,823	183,052
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at the beginning of the period	(114,587)	(392,878)
Increase in contract liabilities as a result of billing in advance of construction and manufacturing activities	110,846	342,649
Balance at 30 June/31 December	129,082	132,823

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.



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15 INVENTORIES

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Raw materials	103,613	110,959
Work in progress	31,624	37,129
Finished goods	112,628	98,369
	247,865	246,457
Less: provision for impairment of inventories	(11,867)	(10,777)
	235,998	235,680

(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 2024 RMB'000	At 31 December 2023 RMB'000
Trade debtors	2,504,931	2,652,108
Bills receivable	29,255	41,283
Less: allowance for doubtful debts	(308,022)	(272,546)
	2,226,164	2,420,845
Other receivables	87,762	125,705
Less: allowance for doubtful debts	(8,891)	(9,025)
	78,871	116,680
Prepayments	100,929	59,688
Value added tax recoverable	28,971	29,071
Prepaid income tax	2,719	967
Others	1,206	1,119
	2,438,860	2,628,370

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

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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 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 month	177,310	206,855
Over 1 month but less than 1 year	1,161,411	1,280,840
1 to 2 years	514,077	536,865
2 to 3 years	228,605	238,676
3 to 4 years	78,561	138,073
4 to 5 years	66,200	19,536
More than 5 years	–	–
	2,226,164	2,420,845

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

As at 30 June 2024, certain trade and other receivables with carrying amount of RMB184,500 thousand (31 December 2023: RMB273,540 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 2024 RMB'000	At 31 December 2023 RMB'000
Balance at 1 January	272,546	275,647
Uncollected amounts written off	(613)	(1,884)
Impairment losses recognised/(reversed)	36,089	(1,217)
Balance At 30 June/31 December	308,022	272,546



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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 RMB38,922 thousand (31 December 2023: RMB51,102 thousand). In the first half of 2024, 8 (31 December 2023: 6) 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 2024 and the Directors consider no additional provisions were required to be made in respect of these claims at 30 June 2024.

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 2024 RMB'000	At 31 December 2023 RMB'000
Cash at bank	95,007	378,415

19 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Secured bank loans	(i)	900,804	828,462
Guaranteed bank loans	(ii)	248,464	333,500
Unsecured bank loans		541,050	619,139
Add: Current portion of non-current loans and borrowings		544,384	871,288
		2,234,702	2,652,389

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19 LOANS AND BORROWINGS (CONTINUED)

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

(i) Secured bank loans

Short-term loans and borrowings of RMB257,000 thousand (31 December 2023: RMB197,000 thousand) were secured by the Group's plants, buildings and land use rights as at 30 June 2024.

Short-term loans and borrowings of RMB334,000 thousand (31 December 2023: RMB283,000 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 2024.

Short-term loans and borrowings of RMB309,804 thousand (31 December 2023: RMB348,462 thousand) were secured by the Group's trade and other receivables as at 30 June 2024.

(ii) Guaranteed bank loans

Short-term loans and borrowings of RMB220,000 thousand (31 December 2023: RMB303,000 thousand) were either co-guaranteed by Mr. Zhang Jian and Ms. Liu Hui or co-guaranteed by Mr. Zhang Jian, Ms. Liu Hui and Company or a Group's subsidiary as at 30 June 2024.

Short-term loans and borrowings of RMB28,464 thousand (31 December 2023: RMB30,500 thousand) were guaranteed by the Company or a Group's subsidiary as at 30 June 2024.

(b) Long-term loans and borrowings

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Secured bank loans and other borrowings	(ii)	1,259,762	1,245,588
Guaranteed bank loans	(i)	343,000	322,900
Unsecured bank loans		75,577	217,000
Less: Current portion of non-current loans and borrowings		(544,384)	(871,288)
		1,133,955	914,200

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19 LOANS AND BORROWINGS (CONTINUED)

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

(i) *Guaranteed bank loans*

Long-term loans and borrowings of RMB200,000 thousand (31 December 2023: RMB100,000 thousand) were co-guaranteed by Group's subsidiaries, Mr. Zhang Jian and Ms. Liu Hui as at 30 June 2024.

Long-term loans and borrowings of RMB143,000 thousand (31 December 2023: RMB93,500 thousand) were guaranteed by Group's subsidiaries.

(ii) *Secured bank loans*

Long-term loans and borrowings of RMB209,000 thousand (31 December 2023: RMB382,000 thousand) were secured by the Group's plants, buildings and land use rights as at 30 June 2024.

Long-term loans and borrowings of RMB960,400 thousand (31 December 2023: RMB781,300 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 2024.

Long-term loans and borrowings of RMB90,362 thousand (31 December 2023: RMB82,288 thousand) were guaranteed were secured by the Group's machinery equipment as at 30 June 2024.

- (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 2024 and 31 December 2023, none of the covenants relating to drawn down facilities had been breached.

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20 TRADE AND OTHER PAYABLES

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade creditors	1,187,376	1,222,419
Bills payable	85,968	146,350
Trade creditors and bills payable	1,273,344	1,368,769
Accrued staff costs	46,212	35,845
VAT payable	52,837	64,589
Sundry taxes payable	2,520	3,089
Security deposits	12,048	10,997
Interest payable	2,426	2,881
Dividends payable	8,042	–
Received in advance	993	837
Other accrued expenses and payables	39,196	19,732
	1,437,618	1,506,739

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 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	980,609	1,112,107
1 to 2 years	169,725	130,020
2 to 3 years	45,390	56,266
More than 3 years	77,620	70,376
	1,273,344	1,368,769



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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 2024		As at 31 December 2023	
	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	47,682	57,001	56,319	66,221
After 1 year but within 2 years	16,463	23,421	19,372	26,769
After 2 years but within 3 years	17,700	23,774	16,055	22,429
After 3 years	101,139	125,967	108,047	135,636
	135,302	173,162	143,474	184,834
	182,984		199,793	251,055
Less: total future interest expenses		(47,179)		(51,262)
Present value of lease liabilities		182,984		199,793

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22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

On 30 December 2022, in view of the impact of the COVID-19 pandemic in China and the actual situation of the Company, the Board has considered and agreed not to implement the 2021 Medium to Long-Term Incentive Plan in 2022 and to convene meetings of the Board or the Remuneration and Appraisal Committee of the Board (as the case may be) as and when appropriate to determine the Incentive Targets for the Restricted Share Incentive Plan and the Share Option Incentive Plan and implement the grant. Under the share option incentive plan, the total number of H Share options to be granted to the incentive targets will not exceed 7 million options. The incentive targets have the right to purchase H Shares of the Company at the exercise price of the options during the period from 1 January 2023 to 31 December 2027, subject to the fulfilment of the vesting conditions of share options. The exercise price and its conditions will be fixed upon the granting of the share options.

At 31 December 2022, the Group acquired a total of 10,099,300 shares of the Company from the open market, at a total consideration of RMB84,085 thousand, for the purpose of setting up the Plan. The shares are held as treasury shares and have been deducted from total equity attributable to equity shareholders of the Company.

On 6 July 2023, the Board approved to transfer the share option incentive plan to the restricted share incentive plan at an exercise price of HKD0 and approved the grant of a total of 6,350,382 H Shares to a total of 150 incentive targets, including four executive directors, and other senior management members and outstanding key business personnel of the Company. The grant date fair value of restricted shares granted to the incentive targets was HKD1.7 per share which was the market price of the of the Company’s shares on 6 July 2023.



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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.

	At 30 June 2024			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	199,714	199,714
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,368,861	1,368,861
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	3,122	3,122

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23 FAIR VALUE MEASUREMENT (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	At 31 December 2023			
	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)	–	–	199,257	199,257
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,426,060	1,426,060
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	1,500	1,500

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



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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 60% (2023: 0% to 60%)	Discount rate: 27% (2023: 27%)
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 (2023: 0.44 to 1.32) P/E ratio: 3.26 to 13.72 (2023: 2.82 to 14.79) EV/S ratio: 0.19 to 1.41 (2023: 0.27 to 1.11)	P/IC ratio: 0.98 (2023: 0.98) P/E ratio: 8.33 (2023: 9.16) EV/S ratio: 0.62 (2023: 0.62)
	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 (2023: 0.3)	Discount for lack of Marketability: 0.3 (2023: 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% (2023: 0%)	0% (2023: 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.

Notes to the Unaudited Interim Financial Report

(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 (Continued)

The fair value of 40 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 9 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 3 equity investment from market approach to cost approach as market approach was no longer applicable.

In addition, the significant unobservable inputs used in the fair value measurements of 2 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 2024. 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 2024, 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 RMB11,635 thousand (2023: RMB12,121 thousand).



Notes to the Unaudited Interim Financial Report

(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 (Continued)

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Unlisted equity investments		
At 1 January	1,426,060	1,620,395
Payment for purchases	–	17,657
Investment returns	–	(500)
Changes in fair value recognised in profit or loss during the period/year	(57,199)	(74,038)
Disposal during the period/year	–	(137,454)
At 30 June/31 December	1,368,861	1,426,060

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 2024, 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 2024 and 31 December 2023.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

24 COMMITMENTS

Capital commitments outstanding at 30 June 2024 not provided for in the interim financial report.

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted for	109,292	126,999

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Short-term employee benefits	1,558	1,864
Share-based payment	531	–
Post-employment benefits	75	157
	2,164	2,021

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(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales of products to associates	59,435	95,915
Sales of products to entities controlled by the controlling shareholder	–	2
Sales of products to entities controlled by a close family member of controlling shareholder	908	–
Purchase of goods from associates	1,946	4,021
Purchase of goods from entities controlled by the controlling shareholder (i)	2,555	3,848
Purchase of goods from entities controlled by a close family member of controlling shareholder	10	27
Prepayments to entities controlled by the controlling shareholder (i)	52,946	26,233

Notes:

- (i) 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Trade debtors	75,519	59,075
Prepayments	53,954	19,080
Other receivables	2,895	7,124
Trade creditors	(14,634)	(12,650)
Bills payable	–	(1,135)
Contract liabilities	(7,174)	(5,983)
Other payables	(20,828)	(3)
	89,732	65,508

(d) Guarantee provided by related parties

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Loans and borrowings		
– Co-guaranteed by Mr. Zhang Jian and Mrs. Liu Hui	1,299,100	1,077,300
– Guaranteed by Mr. Zhang Jian	451,300	519,400
	1,714,400	1,596,700

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The related party transaction entered into between the Group and Hunan Broad Lingmu House Equipment Co., Ltd. and Zhangjiajie Blue Harbor Real Estate Development Co., Ltd. above constitute connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

The related party transactions in respect of Changsha Broad Bathroom Co., Ltd. above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board approved the vesting of a total of 6,243,000 H Shares to a total of 147 incentive targets on July 5, 2024, including three executive Directors, two Supervisors and other senior management members or outstanding key business personnel of the Company. Please also refer to the Company's announcement dated July 5, 2024.

In addition to the related party transactions disclosed in note 25 to the consolidated financial statements, we have made payments to entities controlled by our controlling shareholders since the end of the Reporting Period and up to the date of this report. As of August 30, 2024, the Company paid other receivables totaling RMB123,500 thousand and RMB66,200 thousand to Hunan Broad Lingmu House Equipment Co., Ltd. and Hunan Huayi Construction Engineering Co., Ltd., entities controlled by our controlling shareholders, respectively.

Save as disclosed above, there was no material non-adjusting event after reporting period up to the date of this report.