



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

2020 Interim Report





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Definitions

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

“Audit Committee”	the audit committee of the Company, one of the special committees of the Board
“Auditor”	KPMG, the independent auditor of the Company
“B-house”	prefabricated villa products of Broad House
“B2B”	a business model in which enterprises exchange and transmit data and information and carry out trading activities through private networks or the Internet
“B2C”	enterprises providing consumers with a new shopping environment through the Internet
“BIM”	the building information model, a process involving the generation and management of digital representations of physical and functional characteristics of places
“Board”	the board of Directors of the Company
“Broad Homes United Program”	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
“China” or “PRC”	the People’s Republic of China, but for the purpose of this 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 14 of the Hong Kong Listing Rules
“Creating Value with Our Client”	proposal to assist target customers to optimize products and realize effective connection between technology and market and to provide services to Joint Factories, promote project cooperation and establish a long-term mechanism to ensure profitability

Definitions

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group” or “we/us”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign investment share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Internet +”	“Internet + various traditional industries”, leveraging information and communication technologies and Internet platforms to make the Internet and traditional industries deeply integrated to create a new development ecology
“Joint Factory(ies)”	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory it operates and manages as context requires
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules

Definitions

“Over-allotment Option”	the option granted by the Company in the Global Offering to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The Company issued 167,400 H shares from partial exercise of the over-allotment option on November 28, 2019
“PC” or “prefabricated concrete”	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
“PC-CPS”	cyber-physical-system, an intelligent system to manage the operation and production
“prefabricated building”	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Prospectus”	the prospectus of the Company dated October 24, 2019
“Reporting Period”	six months ended June 30, 2020
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of our Share(s)
“Supervisor(s)”	the supervisor(s) of the Company
“two-level management strategy”	management model of the Joint Factories with one level being Joint Factories with significant influence and the other being Joint Factories without significant influence
“VAT”	value-added tax
“%”	percent

Definitions

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 have become a platform to provide comprehensive solutions to facilitate the modernization of construction industry in China. Leveraging on its strong technology strength and the capability of continuous innovation, research and development, Broad Homes provides globalized, scalable, professionalized and intelligent manufacturing of prefabricated buildings and services.

Through years of industrialized development, the Company has accumulated industry-leading software and hardware technologies. In particular, the Company is the first to develop and utilize the PC-CPS (Cyber Physical System), a full-process digital system, in the prefabricated construction industry in China, and has launched PC Maker, a forward design software based on BIM platform. 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 labour-intensive and scattered construction industry into a centralized, efficient and modern manufacturing industry.

As of June 30, 2020, Broad Homes had established seven regional production centers in Hunan, Zhejiang, Anhui, Jiangsu, Guangdong, Tianjin and Shanghai, and had a total of 15 wholly-owned PC factories and contracted to invest in 88 Joint Factories. As of June 30, 2020, the total production capacity of the wholly-owned PC factories and the Joint Factories of Broad Homes was approximately 6.8 million cubic meters. Broad Homes is capable of developing the whole set of PC equipment and conducting overall planning for the construction of PC unit manufacturing factories.

Broad Homes was the first in the industry to possess a technology system covering the entire industry chain with proprietary intellectual property. Early in 1996, the founder and management team of Broad Homes entered the field of construction industrialization. Broad Homes is also among the first batch of enterprises having been named as National Housing Industrialization Bases (國家住宅產業化基地), and the only prefabricated construction enterprise having been selected for the Pilot Demonstration Project of Intelligent Manufacturing 2018 (2018年智能製造試點示範項目) by the MIIT.

On November 6, 2019, the H Shares of the Company were officially listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2163).

Corporate Information

BOARD

Executive Directors

Mr. Zhang Jian (*Chairman*)
Ms. Tang Fen (*President*)
Ms. Shi Donghong
(*Vice President, Chief Financial Officer,
Secretary to the Board, and Joint Company Secretary*)
Mr. Zhang Kexiang (*Vice President*)
Mr. Tan Xinming (*Vice President*)

Non-executive Directors

Mr. Zhang Quanxun
Ms. Hu Keman

Independent Non-executive Directors

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

Supervisors

Ms. Zhang Mingxin
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
Ms. Shi Donghong

AUTHORIZED REPRESENTATIVES

Ms. Shi Donghong
Ms. Leung Suet Wing

JOINT COMPANY SECRETARIES

Ms. Shi Donghong
Ms. Leung Suet Wing (ACIS, ACS)

LEGAL ADVISERS

as to Hong Kong law:
Baker & McKenzie

as to PRC law:
Jia Yuan Law Offices

AUDITOR

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

COMPLIANCE ADVISER

Anglo Chinese Corporate Finance, Limited



Corporate Information

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

INVESTORS RELATIONS

ir@bhome.com.cn

COMPANY WEBSITE

www.bhome.com.cn

STOCK CODE

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

LISTING DATE

November 6, 2019

Financial Summary and Operating Highlights

HIGHLIGHTS OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. Financial Highlights

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

2. Financial Information by Business Segment

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

3. Major Operating Information

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

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

Financial Summary and Operating Highlights

Production volume of PC unit manufacturing business

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

Net cash (used in)/generated from operating activities

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

Contribution and operation of Joint Factories

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

Financial Summary and Operating Highlights

FINANCIAL PERFORMANCE HIGHLIGHTS

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

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

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

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

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

Net cash generated from/(used in) operating activities decreased by 107.2% from net cash generated from operating activities of RMB275.7 million for the six months ended June 30, 2019 to net cash used in operating activities of RMB19.7 million for the six months ended June 30, 2020.

OPERATING HIGHLIGHTS

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

Production and sales volume of PC unit manufacturing business

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

Turnover days of trade debtors and bills receivable

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

Financial Summary and Operating Highlights

Joint Factories

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

New contracts and backlog

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

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

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

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

Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business Review

Business highlights of the Company

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

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

PC unit manufacturing

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

Management Discussion and Analysis

PC equipment manufacturing

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

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

Construction work

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

Prospect and strategies

Continue to invest in domestic regional production centers and Joint Factories

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

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

Management Discussion and Analysis

Upgrade our digital intelligent platform

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

Continue to focus on strategic clients

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

Expand in overseas markets

Affected by the global outbreak of COVID-19 since the beginning of 2020, we will postpone our plan of expansion in overseas markets.

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



Management Discussion and Analysis

Develop module integration services

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

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

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

Management Discussion and Analysis

2. COMPARISON BETWEEN THE SIX MONTHS ENDED JUNE 30, 2020 AND THE SIX MONTHS ENDED JUNE 30, 2019

The table below sets out the comparison figures of the six months ended June 30, 2020 and the six months ended June 30, 2019:

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

Management Discussion and Analysis

Revenue

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

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):

Revenue	Six months ended			
	June 30, 2020		June 30, 2019	
	Amount (RMB'000)	As a percentage of revenue (%)	Amount (RMB'000)	As a percentage of revenue (%)
Sales of PC units	1,013,335	89.1%	777,704	63.6%
Sales of PC equipments	54,455	4.8%	341,600	27.9%
Revenue from construction work	69,710	6.1%	104,527	8.5%
Total revenue	1,137,500	100%	1,223,831	100.0%

Revenue from PC unit manufacturing business increased by 30.3% from RMB777.7 million for the six months ended June 30, 2019 to RMB1,013.3 million for the six months ended June 30, 2020; and revenue from PC unit manufacturing business as a percentage of total revenue rose from 63.6% for the six months ended June 30, 2019 to 89.1% for the six months ended June 30, 2020, which was mainly because despite the significant impact of COVID-19 on the general public and the economic operation, after the pandemic became under control, we were approved by the governmental authorities to actively resume operation and production and minimize the negative impact of the pandemic with our best efforts.

Revenue from PC equipment manufacturing business decreased by 84.1% from RMB341.6 million for the six months ended June 30, 2019 to RMB54.5 million for the six months ended June 30, 2020; and revenue from PC equipment manufacturing business as a percentage of total revenue decreased from 27.9% for the six months ended June 30, 2019 to 4.8% for the six months ended June 30, 2020, which was primarily due to a shift from rapid layout expansion stage to facilitating Joint Factories to enhance operation and achieve benign operation stage under the Broad Homes United Program, leading to a corresponding deceleration in expansion and construction progress of Joint Factories and PC equipment manufacturing business. In addition, the pandemic of COVID-19 also affected the construction of Joint Factories.

Revenue from construction work business decreased by 33.3% from RMB104.5 million for the six months ended June 30, 2019 to RMB69.7 million for the six months ended June 30, 2020; and revenue from construction work business as a percentage of total revenue decreased from 8.5% for the six months ended June 30, 2019 to 6.1% for the six months ended June 30, 2020, which was mainly because all projects of construction work business entered the final stage successively.

Management Discussion and Analysis

Cost of sales

Our cost of sales decreased by 10.6% from RMB864.2 million for the six months ended June 30, 2019 to RMB772.9 million for the six months ended June 30, 2020, which was mainly because our revenue decreased during the Reporting Period, and the relevant cost decreased accordingly.

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):

Cost of sales	Six months ended			
	June 30, 2020		June 30, 2019	
	Amount (RMB'000)	As a percentage of total cost (%)	Amount (RMB'000)	As a percentage of total cost (%)
Sales of PC units	675,303	87.3%	547,612	63.4%
Sales of PC equipments	38,388	5.0%	236,250	27.3%
Revenue from construction work	59,217	7.7%	80,387	9.3%
Total cost	772,908	100.0%	864,249	100.0%

The cost of sales of PC unit manufacturing business increased by 23.3% from RMB547.6 million for the six months ended June 30, 2019 to RMB675.3 million for the six months ended June 30, 2020, which was mainly because the significant increase in the revenue from our PC unit manufacturing business and the expanded production scale led to the decrease in unit fixed cost, and the increase in cost of sales was less than the increase in revenue due to our measures to reduce cost and enhance efficiency.

The cost of sales of PC equipment manufacturing business decreased by 83.8% from RMB236.3 million for the six months ended June 30, 2019 to RMB38.4 million for the six months ended June 30, 2020, which was primarily due to the decrease in revenue, resulting in the corresponding decrease in cost.

The cost of sales of construction work business decreased by 26.3% from RMB80.4 million for the six months ended June 30, 2019 to RMB59.2 million for the six months ended June 30, 2020, which was mainly because all projects of construction work business entered the final stage successively.



Management Discussion and Analysis

Gross profit and gross profit margin

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

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:

Gross profit and gross profit margin	Six months ended		June 30, 2019	
	June 30, 2020		June 30, 2019	
	Amount (RMB'000)	Gross profit margin (%)	Amount (RMB'000)	Gross profit margin (%)
Sales of PC units	338,032	33.4%	230,092	29.6%
Sales of PC equipments	16,067	29.5%	105,350	30.8%
Revenue from construction work	10,493	15.1%	24,140	23.1%
Total	364,592	32.1%	359,582	29.4%

The gross profit of our PC unit manufacturing business increased by 46.9% from RMB230.1 million for the six months ended June 30, 2019 to RMB338.0 million for the six months ended June 30, 2020; and the gross profit margin increased from 29.6% for the six months ended June 30, 2019 to 33.4% for the six months ended June 30, 2020, which was mainly because the increase in the revenue from our PC unit manufacturing business and the expanded production scale led to the decrease in unit fixed cost, and the increase in cost of sales was less than the increase in revenue due to our measures to reduce cost and enhance efficiency.

The gross profit of our PC equipment manufacturing business decreased by 84.7% from RMB105.4 million for the six months ended June 30, 2019 to RMB16.1 million for the six months ended June 30, 2020; and the gross profit margin decreased from 30.8% for the six months ended June 30, 2019 to 29.5% for the six months ended June 30, 2020. The decrease in gross profit was primarily due to the fact that affected by the pandemic of COVID-19, the factory construction of Joint factories slowed down, resulting in decrease in both revenue and gross profit.

The gross profit of our construction work business decreased by 56.5% from RMB24.1 million for the six months ended June 30, 2019 to RMB10.5 million for the six months ended June 30, 2020; and the gross profit margin decreased from 23.1% for the six months ended June 30, 2019 to 15.1% for the six months ended June 30, 2020, which was mainly because all projects of construction work business entered the final stage successively.

Management Discussion and Analysis

Net valuation gains on investment properties

Our net valuation gains on investment properties increased by 51.2% from RMB6.0 million for the six months ended June 30, 2019 to RMB9.1 million for the six months ended June 30, 2020, which was mainly due to the increase in value of our investment property.

Other income

Our other income consists primarily of government grants and gains or losses on disposal of assets.

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

	Sixth months ended	
	June 30, 2020 (RMB'000)	June 30, 2019 (RMB'000)
Government grants	15,906	17,467
Loss on disposal of property, plant and equipment	(1,063)	(3,005)
Loss on disposal of investment properties	(3,347)	(2,530)
Operating lease income from rent of investment properties	1,717	1,160
Loss on disposal of financial assets at fair value through profit or loss	(657)	-
Gains on disposal of other financial assets	1,294	318
Dividend income	1,980	-
Others	(1,661)	(110)
Total	14,169	13,300

Our other income increased by 6.5% from RMB13.3 million for the six months ended June 30, 2019 to RMB14.2 million for the six months ended June 30, 2020, which was mainly because we generated gains from structured deposit during the Reporting Period, and there were no relevant gains from such business during the corresponding period of last year. We also received dividend from one of our Joint Factories during the Reporting Period. In addition, affected by the pandemic of COVID-19, certain factories were forced to suspend operation as required by the government and incurred losses from the suspension during the Reporting Period, which was offset by the non-operating income.

Management Discussion and Analysis

Sales and distribution expenses

Our sales and distribution expenses mainly include freight, staff remuneration, operation cost, promotion fee, after-sale service fee and depreciation and amortization, etc. Such expenses increased by 0.5% from RMB95.8 million for the six months ended June 30, 2019 to RMB96.3 million for the six months ended June 30, 2020, and such expenses as a percentage of our total revenue increased from 7.8% to 8.5%. The increase in sales and distribution expenses was mainly due to the increase in the early stage promotion expense of our new B-house business as well as an increase in the staff remuneration that we are required to pay to market personnel caused by an increase in the scale of our operations.

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

	Six months ended	
	June 30, 2020 (RMB'000)	June 30, 2019 (RMB'000)
Freight	42,724	42,892
Staff remuneration	28,474	23,167
After-sale service fee	556	13,185
Operation cost, promotion fee, etc.	15,792	8,296
Depreciation and amortization	1,808	1,752
Others	6,949	6,518
Total	96,303	95,810

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, bad debt provision and amortization and depreciation. Such expenses increased by 38.6% from RMB130.0 million for the six months ended June 30, 2019 to RMB180.1 million for the six months ended June 30, 2020, and such expenses as a percentage of our total revenue increased from 10.6% to 15.8%, which was mainly because (i) the newly constructed or expanded office buildings were put into use, which led to the increase in depreciation and amortization; (ii) the increase in ageing of accounts receivable led to the increase in provision for bad debts; and (iii) we were not required to bear the share-based remuneration expenses during the Reporting Period, resulting in decrease in staff remuneration.

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

	Six months ended	
	June 30, 2020 (RMB'000)	June 30, 2019 (RMB'000)
Staff remuneration	30,342	32,367
Includes: share-based payment	–	8,184
Business taxes and surcharges	17,503	12,381
Depreciation and amortization	26,481	14,036
Bad debt provision	69,511	44,472
Office expenses, travel expenses	7,679	7,117
Utility and property management fee	4,726	4,668
Others	23,897	6,740
Total	180,139	129,965

Management Discussion and Analysis

Research and development expenses

Our research and development expenses consist primarily of staff remuneration, material costs, depreciation and amortization. The total research and development expenditure in aggregate decreased by 5.1% from RMB95.1 million for the six months ended June 30, 2019 to RMB90.3 million for the six months ended June 30, 2020. For the six months ended June 30, 2020 and 2019, RMB68.6 million and RMB61.3 million of our research and development expenses were incurred, respectively, and RMB21.6 million and RMB33.8 million of our research and development expenses were capitalized, accounting for 23.9% and 35.5% of our research and development expenses for the same year, respectively. The decrease in total research and development expenditure was mainly because the progress of certain research and development projects was delayed affected by the pandemic of COVID-19.

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

	Six months ended	
	June 30, 2020 (RMB'000)	June 30, 2019 (RMB'000)
Staff remuneration	41,384	55,017
Material costs	36,477	24,392
Depreciation and amortization	5,756	8,225
Others	6,635	7,451
Total research and development expenditure	90,252	95,085
Capitalization of research and development expenditure	(21,615)	(33,786)
Total	68,637	61,299

Profit from operations

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

Management Discussion and Analysis

Finance costs

Our finance costs consist primarily of interest expenses on bank loans and other borrowings, interest expenses and interest on lease liabilities. Such costs increased by 3.2% from RMB51.7 million for the six months ended June 30, 2019 to RMB53.3 million for the six months ended June 30, 2020, which was mainly due to an increase in loans and interest expense caused by expansion of our PC business, which was partially offset by interest income and net foreign exchange gain.

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

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

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

We recorded decrease of 76.3% in fair value changes on financial assets at fair value through profit or loss from RMB4.7 million for the six months ended June 30, 2019 to RMB1.1 million for the six months ended June 30, 2020, which was mainly due to the increase in value of such financial assets after valuation under the market approach.

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. As some of the Joint Factories were under construction or at the trial or during start-up stage and had not yet recorded any profit in their operations, we recorded a loss on our investment in the associates as a whole during the Reporting Period. Our share of profits less losses of associates increased by 14.6% from a negative amount of RMB20.6 million for the six months ended June 30, 2019 to a negative amount of RMB23.7 million for the six months ended June 30, 2020, which was mainly because the profitability was affected by the pandemic of COVID-19.



Management Discussion and Analysis

Gains on loss of significant influence in associates

Based on our “two-level management strategy” and “two-level management research”, for the six months ended June 30, 2020 and 2019, 1 and 6 Joint Factories that we had made the capital contribution to were re-measured as financial assets at fair value through profit or loss, respectively. As such, we recorded gains on loss of significant influence in associates of RMB17.6 million and RMB120.3 million, respectively. The Company confirmed that, the re-measurement and re-classification criteria of the above Joint Factories complied with the reclassification criteria as disclosed in the section headed “Development of the ‘Two-level Management Strategy’ on Our Portfolio of Joint Factories” of the Prospectus.

Gains on disposal of partial interest in associates

For the six months ended June 30, 2019, we recorded relevant gains of RMB7.6 million, while for the six months ended June 30, 2020, we did not dispose of partial interest in associates and thus did not record relevant gains.

(Loss)/profit before taxation

In summary, our profit before taxation decreased by 110.2% from a profit of RMB152.0 million for the six months ended June 30, 2019 to a loss of RMB15.5 million for the six months ended June 30, 2020.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. Our income tax decreased by 44.2% from RMB11.1 million for the six months ended June 30, 2019 to RMB6.2 million for the six months ended June 30, 2020, which was mainly due to the offset of deferred income tax recognised for the tax losses incurred during the pandemic of COVID-19.

Net (loss)/profit

In summary, our net profit decreased by 115.5% from a profit of RMB140.9 million for the six months ended June 30, 2019 to a loss of RMB21.8 million for the six months ended June 30, 2020.

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, 2020, our balance of cash and cash equivalents amounted to RMB829.7 million while as at June 30, 2019, our cash and cash equivalents were RMB448.3 million.

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

	Six months ended	
	June 30, 2020 (RMB'000)	June 30, 2019 (RMB'000)
Net cash (used in)/generated from operating activities	(19,741)	275,703
Net cash used in investing activities	(362,734)	(409,664)
Net cash generated from financing activities	118,039	285,824
Net (decrease)/increase in cash and cash equivalents	(264,436)	151,863
Effect of foreign exchange rate changes	9,346	-
Cash and cash equivalents at the beginning of the year	1,084,750	296,475
Cash and cash equivalents at the end of the period	829,660	448,338

Net cash (used in)/generated from operating activities

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

For the six months ended June 30, 2020, the net cash used in operating activities was RMB19.7 million, which was mainly due to loss in profit before income tax of RMB15.5 million, and was adjusted according to the following aspects: (i) non-cash items, mainly including depreciation and amortization of RMB113.8 million, losses on disposal of equipment of RMB1.1 million, impairment losses of RMB69.5 million, gains on amortization of government grant of RMB2.4 million, finance costs of RMB53.3 million, share of profits less losses of associates of RMB23.7 million, gains on loss of significant influence in associates of RMB17.6 million, losses on disposal of financial asset at fair value through profit or loss of RMB0.7 million, gains on fair value change of financial assets at fair value through profit or loss of RMB2.0 million, gains on disposal of other financial assets of RMB1.3 million, dividend income of RMB2.0 million, net valuation gain of investment properties of RMB9.1 million, and losses on disposal of investment properties of RMB3.3 million; and (ii) changes in working capital, mainly including an increase of RMB4.7 million in inventory, an increase of RMB125.7 million in trade and other receivables, a decrease of RMB360.2 million in trade and other payables, a decrease of RMB298.1 million in contract assets, a decrease of RMB31.5 million in contract liabilities, an increase of RMB4.0 million in deferred income and income tax paid of RMB15.2 million.

Management Discussion and Analysis

Net cash used in investing activities

For the six months ended June 30, 2020, our net cash used in investing activities was RMB362.7 million, which was mainly due to: (i) the acquisition of property, plant and equipment, right-of-use assets and intangible assets of RMB143.8 million, (ii) the payment for acquisition of financial assets at fair value through profit or loss of RMB594.7 million, (iii) payment for interest in associates of RMB10.0 million, (iv) gains on disposal of financial assets at fair value through profit or loss of RMB351.6 million; (v) proceeds from the disposal of property, plant and equipment and intangible assets of RMB3.3 million, and (vi) proceeds from the disposal of investment property of RMB20.9 million and income from other investment activities of RMB10.0 million.

Net cash generated from financing activities

For the six months ended June 30, 2020, our net cash generated from financing activities was RMB118.0 million, which was mainly due to (i) payment of borrowings and interest of RMB1,353.8 million, (ii) loans and borrowings proceeds of RMB1,736.6 million, (iii) payment of dividends of RMB240.0 million, and (iv) payment of principal and interest on lease liabilities of RMB24.7 million.

Borrowings

Our total borrowings increased by RMB563.2 million from RMB2,618.7 million as at December 31, 2019 to RMB3,181.9 million as at June 30, 2020, which was mainly due to an upswing in our PC unit manufacturing business, which required us to expand production, increase investment and replenish liquidity in advance. As at June 30, 2020, we had approximately RMB5,034 million (lines of credit) in bank facilities (of which approximately RMB1,533.6 million are still unused).

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

As at June 30, 2020 and December 31, 2019, our borrowings are repayable as follows:

	As at	
	June 30, 2020 (RMB million)	December 31, 2019 (RMB million)
Within 1 year	2,420	2,399
1-2 years	547	279
2-5 years	335	—
Over 5 years	—	—
Total	3,302	2,678

Management Discussion and Analysis

(2) Range of interest rates of borrowings

For the six months ended June 30, 2020, the interest rates of our borrowings are within the following range:

	Range of interest rates
Short-term borrowings	2.36%-5.6%
Long-term borrowings	4.7%-5.94%

Capital expenditures

Our capital expenditures were mainly due to the acquisition of property, plant and equipment and intangible assets, the acquisition of financial assets at fair value through profit or loss, and the acquisition of interests in associates. Our capital expenditure increased from RMB480.4 million for the six months ended June 30, 2019 to RMB748.5 million for the six months ended June 30, 2020.

Net current liabilities

Our net current liabilities decreased by 96% from RMB316.4 million at December 31, 2019 to RMB11.2 million at June 30, 2020, which was mainly due to our continuous improvement of our net current liability position through the following measures: (i) improving our capital management primarily through the use of equity financing, while reducing the use of short-term borrowings to meet financing needs, so as to support business expansion; (ii) expanding financing channels and reducing the use of our own funds for long-term asset investments; and (iii) coordinating with customers on the settlement of trade debtors and bills receivable.



Management Discussion and Analysis

Pledge of assets

For the six months ended June 30, 2020, our restricted and pledged bank deposits were RMB179.0 million, while for the year ended December 31, 2019, our restricted and pledged bank deposits were RMB277.8 million.

Off-balance sheet commitments and arrangements

For the six months ended June 30, 2020, we had no off-balance sheet arrangements.

Future plan for significant investments and capital assets

For the six months ended June 30, 2020, the Group did not have any significant investment or capital asset acquisition approved by the Board.

Major acquisitions and disposals of subsidiaries and associates

For the six months ended June 30, 2020, the Group did not make any major acquisitions, disposals of subsidiaries and associates.

Employees and remuneration policy

For the six months ended June 30, 2020, we had 3,414 full-time employees (average number for January to June 2020). We expect to continue to employ more people in mainland China. According to our human resources strategy, we offer competitive remuneration to employees. Our total remuneration expenses (including share-based remuneration expenses) decreased by 9.5% from RMB231.5 million for the six months ended June 30, 2019 to RMB209.4 million for the six months ended June 30, 2020, which was mainly because (i) the local governments of different areas implemented the policies to reduce social security contribution during the pandemic, which led to significant decrease in the portion paid by the Company; (ii) we were not required to bear the share-based remuneration expenses during the Reporting Period.

Management Discussion and Analysis

4. COMMITMENTS

Capital Commitments

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

	Six months ended	
	June 30, 2020 (RMB'000)	December 31, 2019 (RMB'000)
Contracted for	428,457	497,309
Total	428,457	497,309

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, 2020	June 30, 2019
Current ratio ⁽¹⁾	1.0	0.8
Quick ratio ⁽²⁾	0.9	0.8
Loan-to-equity ratio ⁽³⁾	81.6%	93.5%
Return on total assets ⁽⁴⁾	-0.2%	1.8%
Return on equity ⁽⁵⁾	-0.5%	5.1%
Interest coverage ratio ⁽⁶⁾	0.7	3.9

Management Discussion and Analysis

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 profits as at the end of the period/for the period divided by average of total assets at the beginning and end of the period.
- (5) Return on equity equals to profits as at the end of the period/for the period divided by average of total equity at the beginning and end of the period.
- (6) Interest coverage ratio equals to profit before interest and taxation divided by finance costs.

Current Ratio

Our current ratio increased from 0.8 as at June 30, 2019 to 1.0 as at June 30, 2020. 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 0.8 as at June 30, 2019 to 0.9 as at June 30, 2020. 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 decreased from 93.5% as at June 30, 2019 to 81.6% as at June 30, 2020.

Return on Total Assets

Our return on total assets decreased from 1.8% for the six months ended June 30, 2019 to –0.2% for the six months ended June 30, 2020.

Return on Equity

Our return on equity decreased from 5.1% for the six months ended June 30, 2019 to –0.5% for the six months ended June 30, 2020.

Interest Coverage Ratio

Our interest coverage ratio decreased from 3.9 times for the six months ended June 30, 2019 to 0.7 time for the six months ended June 30, 2020.

Management Discussion and Analysis

6. CURRENCY RISK

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. No material foreign exchange exposure and foreign currency risk are recognised as at June 30, 2020.

7. CONTINGENT LIABILITIES

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

8. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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



Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors and Supervisors in securities transactions. Upon making specific inquiries to all Directors and Supervisors of the Company, all of them confirmed that they had complied with the required standards contained in the Model Code during the six months ended June 30, 2020.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

The Audit Committee, together with the management and the Auditor of the Company, has reviewed the unaudited interim consolidated results of the Company for the six months ended June 30, 2020. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and has discussed on matters such as audit, risk management, internal control and financial reporting.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, the Directors, Supervisors and chief executive officer confirmed that no information is subject to disclosure as required by Rule 13.51B(1) of the Listing Rules.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's H Shares.

USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019, and the Company issued a total of 122,035,400 H Shares in Global Offering (including 167,400 H Shares issued upon partial exercise of the Over-allotment Option) at an offer price of HK\$9.68 per Share with a nominal value of RMB1.00 each. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019. Net proceeds from the Global Offering (including the partial exercise of the Over-allotment Option) aggregated to approximately HK\$1,111.7 million (net of underwriting commission and related Listing expenses). As at June 30, 2020, balance of the utilized net proceeds was approximately HK\$862.3 million.

Net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in the same manner as set out in the Prospectus. The table below sets out the planned use of net proceeds and the actual use as at June 30, 2020:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK\$ million)	Amount Utilized (as at June 30, 2020) (HK\$ million)	Amount Unutilized (as at June 30, 2020) (HK\$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45%	500.29	116.38	383.91	Before December 31, 2022
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36%	400.23	27.06	373.17	Before December 31, 2020
(2) Expanding Factories and Upgrading Equipment in Existing Regional Production Centers	9%	100.06	89.32	10.74	Before December 31, 2022
(II) Expansion in Overseas Market	20%	222.30	0.00	222.30	Before December 31, 2021
(III) Developing and Expanding Intelligent Equipment Business	15%	166.71	14.25	152.46	Before December 31, 2022
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	10%	111.20	15.58	95.62	Before December 31, 2021
(V) Working Capital and Other General Corporate Purposes	10%	111.20	103.19	8.01	Before December 31, 2020
Total	100%	1,111.70	249.40	862.30	

Corporate Governance and Other Information

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

As of June 30, 2020, 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 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 Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate	Approximate	Approximate percentage of the total issued H Shares of the Company	Long position/ Short position/ Lending pool
				percentage of the issued Shares of the Company	percentage of the total issued Domestic Shares of the Company		
				%	%	%	
Mr. Zhang Jian	Domestic Shares	Beneficial owner	171,507,840	35.17	46.91	-	Long position
		Interest held by controlled corporations	101,912,160 (Note 2)	20.90	27.88	-	Long position
	H Shares	Interest held by spouse	122,700 (Note 3)	0.03	-	0.10	Long position
Ms. Tang Fen	Domestic Shares	Beneficial owner	1,800,000 (Note 4)	0.37	0.49	-	Long position
Ms. Shi Donghong	Domestic Shares	Beneficial owner	1,800,000	0.37	0.49	-	Long position
		Interest held by spouse	9,012,000 (Notes 4 and 5)	1.85	2.46	-	Long position
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.23	-	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.23	-	Long position
Mr. Zhang Quaxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 6)	5.21	6.95	-	Long position

Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the Stock Exchange (www.hkexnews.hk).
- (2) Hunan Broad Lingmu House Equipment Co., Ltd. ("**Broad Lingmu**") directly holds 66,176,160 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) ("**Daxin Investment**") directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd. ("**Dazheng Investment**") directly holds 12,000,000 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership (Limited Partnership) ("**Fuyang Shangjiu**") directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (3) Ms. Liu Hui (柳慧女士), the spouse of Mr. Zhang Jian, directly holds 122,700 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 122,700 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 3,876,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Mr. Zhou Bin is the general partner of Fuyang Shangjiu. Therefore, Ms. Shi Donghong is deemed to be interested in 9,012,000 Domestic Shares for the purpose of Part XV of the SFO.
- (6) Shenzhen Yuanzhi Fuhai Equity Investment Enterprise (Limited Partnership) ("**Yuanzhi Fuhai**") directly holds 25,404,000 Domestic Shares. The general partners of Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) which is ultimately controlled by Mr. Zhang Quanxun (our non-executive Director) and Mr. Cheng Houbo (程厚博先生). Therefore, Mr. Zhang Quanxun is deemed to be interested in such Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.

Save as those disclosed above, as of June 30, 2020, 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 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 Stock Exchange according to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended June 30, 2020 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.

Corporate Governance and Other Information

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

As at June 30, 2020, as far as the Directors of the Company are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the 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	66,176,160	13.57	18.10	–	Long position
		Interest held by controlled corporations	17,136,000 (Note 3)	3.51	4.69		
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	3.81	5.09	–	Long position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	6.95	–	Long position
Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司)	H Shares	Beneficial owner	22,922,700	4.70	–	18.78	Long position
Hunan Caixin Industry Fund Management Co., Ltd. (湖南省財信產業基金管理有限公司)	H Shares	Beneficial owner	18,102,400	3.71	–	14.83	Long position
Zoomlion Heavy Industry Science and Technology Co., Limited	H Shares	Interest held by controlled corporations	30,379,000 (Note 6)	6.23	–	24.89	Long position
Zoomlion H.K. Holding Co., Limited	H Shares	Interest held by controlled corporations	30,379,000 (Note 6)	6.23	–	24.89	Long position
Zoomlion International Trading (H.K.) Co., Limited	H Shares	Beneficial owner	30,379,000 (Note 6)	6.23	–	24.89	Long position

Corporate Governance and Other Information

Notes:

- (1) The above disclosure is primarily based on the information published on the website of the 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 Stock Exchange. Therefore, the latest Shareholder's shareholding in the Company may be different from that filed with the Stock Exchange.
- (3) Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.
- (4) Daxin Investment is an employee stock ownership platform of the Company.
- (5) The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) is ultimately controlled by Mr. Zhang Quanxun and Mr. Cheng Houbo (程厚博先生). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業(有限合夥)), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司).
- (6) Zoomlion International Trading (H.K.) Co., Limited directly holds 30,379,000 H Shares. Zoomlion Heavy Industry Science and Technology Co., Limited holds 100% equity interests of Zoomlion H.K. Holding Co., Limited, which holds 100% equity interests of Zoomlion International Trading (H.K.) Co., Limited. Therefore, Zoomlion Heavy Industry Science and Technology Co., Limited and Zoomlion H.K. Holding Co., Limited are deemed to be interested in the 30,379,000 H Shares held by Zoomlion International Trading (H.K.) Co., Limited, for the purpose of the SFO.

Save as those disclosed above, as at June 30, 2020, as far as the Directors are aware, no other persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Independent Auditor's Report

Review report to the board of directors of Changsha Broad Homes Industrial Group Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 41 to 72 which comprises the consolidated statement of financial position of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") as of 30 June 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 August 2020

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Revenue	4	1,137,500	1,223,831
Cost of sales		(772,908)	(864,249)
Gross profit		364,592	359,582
Net valuation gains on investment properties	9	9,053	5,987
Other income	5	14,169	13,300
Sales and distribution expenses		(96,303)	(95,810)
General and administrative expenses		(180,139)	(129,965)
Research and development expenses		(68,637)	(61,299)
Profit from operations		42,735	91,795
Finance costs	6(a)	(53,329)	(51,695)
Fair value changes on financial assets at fair value through profit or loss		1,114	4,710
Share of profits less losses of associates	12	(23,653)	(20,639)
Gains on loss of significant influence in associates		17,598	120,288
Gains on disposal of partial interest in associates		–	7,580
Gains on disposal of associates		–	1
(Loss)/Profit before taxation	6	(15,535)	152,040
Income tax	7	(6,222)	(11,146)
(Loss)/Profit for the period		(21,757)	140,894
Other comprehensive income (after tax)			
Items that will not be reclassified to profit or loss		–	–
Total comprehensive (loss)/income for the period		(21,757)	140,894
(Losses)/Earnings per share (RMB)			
Basic and diluted (RMB)	8	(0.04)	0.39

The notes on pages 48 to 72 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current assets			
Investment properties	9	279,823	310,169
Property, plant and equipment	10	1,781,304	1,756,894
Intangible assets		269,814	262,758
Right-of-use assets	11	390,854	366,529
Interest in associates	12	339,596	378,644
Financial assets at fair value through profit or loss	13	1,754,673	1,740,938
Deferred tax assets		47,435	37,133
Total non-current assets		4,863,499	4,853,065
Current assets			
Inventories	14	263,416	265,664
Contract assets	15(a)	266,566	564,554
Trade and other receivables	16	2,536,914	2,521,624
Other financial assets	17	230,883	–
Restricted and pledged bank deposits	18	178,974	277,769
Cash and cash equivalents	19	829,660	1,084,750
Total current assets		4,306,413	4,714,361
Total assets		9,169,912	9,567,426
Current liabilities			
Short-term borrowings	20(a)	2,336,149	2,345,233
Trade and other payables	21	1,719,416	2,406,703
Contract liabilities	15(b)	206,453	237,976
Lease liabilities	22	36,890	22,211
Deferred income		4,839	4,839
Current taxation		13,910	13,759
Total current liabilities		4,317,657	5,030,721
Net current liabilities		(11,244)	(316,360)
Total assets less current liabilities		4,852,255	4,536,705

Consolidated Statement of Financial Position

As at 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Non-current liabilities			
Long-term borrowings	20(b)	845,741	273,460
Lease liabilities	22	50,362	43,335
Deferred income		40,560	38,958
Deferred tax liabilities		15,128	14,911
Total non-current liabilities		951,791	370,664
NET ASSETS		3,900,464	4,166,041
CAPITAL AND RESERVES			
Share capital		487,639	487,639
Reserves		3,412,825	3,678,402
Total equity attributable to equity shareholders of the Company		3,900,464	4,166,041
TOTAL EQUITY		3,900,464	4,166,041

Approved and authorised for issue by the board of directors on 28 August 2020.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 48 to 72 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2019		304,670	1,515,569	115,501	5,208	941,775	2,882,723
Changes in equity for the six months ended 30 June 2019							
Profit for the period		-	-	-	-	140,894	140,894
Other comprehensive income		-	-	-	(204)	204	-
Total comprehensive income		-	-	-	(204)	141,098	140,894
Conversion of capital reserve to share capital		60,934	(60,934)	-	-	-	-
Equity settled share-based transactions		-	8,184	-	-	-	8,184
Appropriation of profit	23	-	-	-	-	(365,604)	(365,604)
Balance at 30 June 2019 and 1 July 2019		365,604	1,462,819	115,501	5,004	717,269	2,666,197
Changes in equity for the six months ended 31 December 2019							
Profit for the period		-	-	-	-	536,025	536,025
Other comprehensive income		-	-	-	(2,981)	2,981	-
Total comprehensive income		-	-	-	(2,981)	539,006	536,025
Issuance of H Shares		122,035	833,600	-	-	-	955,635
Equity settled share-based transactions		-	8,184	-	-	-	8,184
Appropriation for surplus reserve		-	-	24,917	-	(24,917)	-
Balance at 31 December 2019		487,639	2,304,603	140,418	2,023	1,231,358	4,166,041

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company					
		Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020		487,639	2,304,603	140,418	2,023	1,231,358	4,166,041
Changes in equity for the six months ended 30 June 2020							
Loss for the period		-	-	-	-	(21,757)	(21,757)
Other comprehensive income		-	-	-	(3,194)	3,194	-
Total comprehensive income		-	-	-	(3,194)	(18,563)	(21,757)
Appropriation of profit	23	-	-	-	-	(243,820)	(243,820)
Balance at 30 June 2020		487,639	2,304,603	140,418	(1,171)	968,975	3,900,464

The notes on pages 48 to 72 form part of this interim financial report.

Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

Six months ended 30 June

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
(Loss)/profit before taxation		(15,535)	152,040
Adjustments for:			
Depreciation and amortisation	6(c)	113,824	84,153
Loss on disposal of property, plant and equipment	5	1,063	3,005
Loss on disposal of investment properties	5	3,347	2,530
Equity-settled share-based payment expenses	6(b)	–	8,184
Impairment losses	6(c)	69,511	44,472
Amortisation of government grants		(2,398)	(2,676)
Finance costs		53,329	60,482
Share of profits less losses of associates	12	23,653	20,639
Gains on disposal of associates		–	(1)
Gains on disposal of partial interest in associates		–	(7,580)
Gains on loss of significant influence in associates		(17,598)	(120,288)
Fair value changes on financial assets at fair value through profit or loss		(1,997)	(4,710)
Loss on disposal of financial assets at fair value through profit or loss	5	657	–
Gains on disposal of other financial assets	5	(1,294)	(318)
Dividend income		(1,980)	–
Net valuation gains on investment properties	9	(9,053)	(5,987)
Changes in working capital:			
Increase in inventories		(4,714)	(2,706)
Increase in trade and other receivables		(125,709)	(235,704)
(Decrease)/increase in trade and other payables		(360,217)	139,445
Decrease in contract assets		298,068	122,995
(Decrease)/increase in contract liabilities		(31,523)	44,049
Increase in deferred income		4,000	–
Cash (used in)/generated from operations		(4,566)	302,024
Income tax paid		(15,175)	(26,321)
Net cash (used in)/generated from operating activities		(19,741)	275,703

Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		(143,793)	(342,956)
Payment for purchase of financial assets at fair value through profit or loss		(594,695)	(83,280)
Payment for interest in associates		(10,008)	(54,133)
Proceeds from disposal of property, plant and equipment		3,290	1,386
Proceeds from sales of financial assets at fair value through profit or loss		351,644	–
Proceeds from sales of interest in associates		–	15,000
Proceeds from sales of investments in subsidiaries		–	46,600
Proceeds from sales of investment properties		20,855	5,606
Proceeds from other investing activities		9,973	2,113
Net cash used in investing activities		(362,734)	(409,664)
Financing activities			
Proceeds from loans and borrowings		1,736,556	1,122,515
Repayment of loans and borrowings		(1,285,764)	(581,003)
Interest paid		(68,006)	(61,079)
Payment for dividends		(240,040)	(185,093)
Capital element of lease rentals paid		(22,080)	(8,688)
Interest element of lease rentals paid		(2,627)	(828)
Net cash generated from financing activities		118,039	285,824
Net (decrease)/increase in cash and cash equivalents		(264,436)	151,863
Cash and cash equivalents at 1 January		1,084,750	296,475
Effect of foreign exchange rate changes		9,346	–
Cash and cash equivalents at 30 June	19	829,660	448,338

The notes on pages 48 to 72 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”) and prefabricated concrete equipment manufacturing (“PC Equipment Manufacturing”). The Group is also engaged in construction activities.

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 28 August 2020.

This interim financial report has been prepared on the going concern basis. As at 30 June 2020, the Group’s current liabilities exceeded its current assets by RMB11,244 thousand. Taking into the Group’s available banking facilities and history of obtaining external financing, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 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 2019 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

4 REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable 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	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
– Sales of PC units	1,013,335	777,704
– Sales of PC equipment	54,455	341,600
– Revenue from construction contracts	69,710	104,527
	1,137,500	1,223,831

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

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4 REVENUE AND SEGMENT REPORTING (CONTINUED)

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

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

	PC Unit Manufacturing		PC Equipment Manufacturing		Construction contracts		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<i>For the six months ended 30 June</i>								
Disaggregated by timing of revenue recognition								
Point in time	1,013,335	777,704	54,455	341,600	-	-	1,067,790	1,119,304
Over time	-	-	-	-	69,710	104,527	69,710	104,527
Revenue from external customers	1,013,335	777,704	54,455	341,600	69,710	104,527	1,137,500	1,223,831
Inter-segment revenue	-	-	-	-	21,248	53,828	21,248	53,828
Reportable segment revenue	1,013,335	777,704	54,455	341,600	90,958	158,355	1,158,748	1,277,659
Reportable segment profit	126,464	74,344	(26,625)	21,589	(21,880)	28,507	77,959	124,440
Finance costs	(53,022)	(45,378)	-	-	(307)	(6,317)	(53,329)	(51,695)
Depreciation and amortisation for the period	(112,805)	(83,148)	-	-	(1,019)	(1,005)	(113,824)	(84,153)
<i>As at 30 June/31 December</i>								
Reportable segment assets	5,763,515	5,432,639	489,589	620,323	1,452,169	2,229,028	7,705,273	8,281,990
Reportable segment liabilities	1,687,260	1,961,841	1,063,955	1,441,704	189,857	334,581	2,941,072	3,738,126

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

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4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	1,158,748	1,277,659
Elimination of inter-segment revenue	(21,248)	(53,828)
Consolidated revenue	1,137,500	1,223,831
Profit		
Reportable segment profit	77,959	124,440
Finance costs	(53,329)	(51,695)
Unallocated head office and corporate expenses	(36,547)	(32,645)
Fair value changes on financial assets at fair value through profit or loss	1,114	4,710
Share of profits less losses of associates	(23,653)	(20,639)
Gains on disposal of associates	-	1
Gains on loss of significant influence in associates	17,598	120,288
Gains on disposal of partial interest in associates	-	7,580
Loss on disposal of financial assets at fair value through profit or loss	(657)	-
Dividend income	1,980	-
Consolidated (loss)/profit before taxation	(15,535)	152,040

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5 OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Government grants	15,906	17,467
Loss on disposal of property, plant and equipment	(1,063)	(3,005)
Loss on disposal of investment properties	(3,347)	(2,530)
Operating lease income from rent of investment properties	1,717	1,160
Loss on disposal of financial assets at fair value through profit or loss	(657)	–
Gains on disposal of other financial assets	1,294	318
Dividend income	1,980	–
Others	(1,661)	(110)
	14,169	13,300

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs:

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

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6 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs:

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

(c) Other items:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Amortisation		
– intangible assets	15,139	7,033
Depreciation		
– property, plant and equipment (note 10)	79,224	63,924
– right-of-use assets	19,461	13,196
Impairment losses		
– trade and other receivables and contract assets	62,548	44,472
– inventories	6,963	–
Cost of inventories	513,247	599,685

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7 INCOME TAX

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax – PRC income tax		
Provision for the period	16,307	12,468
Deferred tax		
Origination and reversal of temporary differences	(10,085)	(1,322)
	6,222	11,146

8 (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB21,757 thousand (six months ended 30 June 2019: profit of RMB140,894 thousand) and the weighted average number of shares of 487,639,400 (six months ended 30 June 2019: 365,604,000). There were no potential dilutive ordinary shares during the six-month period and therefore dilutive losses per share are the same as the basic losses per share.

9 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2019	324,033
Fair value adjustment	20,284
Disposals	(34,148)
Balance at 31 December 2019	310,169
Balance at 1 January 2020	310,169
Fair value adjustment	9,053
Disposals	(39,399)
Balance at 30 June 2020	279,823

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.

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(Expressed in Renminbi unless otherwise indicated)

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Office furniture RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 2019	416,733	874,385	24,370	25,755	19,571	212,277	1,573,091
Additions	19,814	207,559	2,481	2,100	1,269	472,720	705,943
Transferred from construction in progress	402,687	227,051	-	-	-	(629,738)	-
Disposals	(131)	(7,356)	(798)	(672)	(936)	-	(9,893)
Balance at 31 December 2019	839,103	1,301,639	26,053	27,183	19,904	55,259	2,269,141
Balance at 1 January 2020	839,103	1,301,639	26,053	27,183	19,904	55,259	2,269,141
Additions	118	14,763	680	3,346	539	88,163	107,609
Transferred from construction in progress	-	17,778	-	-	-	(17,778)	-
Disposals	-	(4,005)	(215)	(842)	(15)	-	(5,077)
Balance at 30 June 2020	839,221	1,330,175	26,518	29,687	20,428	125,644	2,371,673
Accumulated depreciation:							
Balance at 1 January 2019	(65,292)	(295,188)	(14,440)	(11,825)	(12,390)	-	(399,135)
Depreciation charge for the year	(17,600)	(94,900)	(2,907)	(1,733)	(1,349)	-	(118,489)
Written back on disposals	65	3,541	782	609	380	-	5,377
Balance at 31 December 2019	(82,827)	(386,547)	(16,565)	(12,949)	(13,359)	-	(512,247)
Balance at 1 January 2020	(82,827)	(386,547)	(16,565)	(12,949)	(13,359)	-	(512,247)
Depreciation charge for the period	(16,616)	(60,201)	(1,382)	(558)	(467)	-	(79,224)
Written back on disposals	-	506	157	429	10	-	1,102
Balance at 30 June 2020	(99,443)	(446,242)	(17,790)	(13,078)	(13,816)	-	(590,369)
Net book value:							
Balance at 30 June 2020	739,778	883,933	8,728	16,609	6,612	125,644	1,781,304
Balance at 31 December 2019	756,276	915,092	9,488	14,234	6,545	55,259	1,756,894

As at 30 June 2020, property, plant and equipment with carrying amounts of RMB499,757 thousand (2019: RMB408,121 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 20).

Notes to the Unaudited Interim Financial Report

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11 RIGHT-OF-USE ASSETS

The Group leases assets including plants, buildings and land use rights. Information about leases for which the Group is a lessee is presented below.

	Property, plant and equipment RMB'000	Land use rights RMB'000	Total RMB'000
Cost:			
Balance at 1 January 2019	53,763	280,325	334,088
Additions	35,029	30,840	65,869
Modifications after initial recognition	(1,011)	–	(1,011)
Disposals	(832)	–	(832)
Balance at 31 December 2019	86,949	311,165	398,114
Balance at 1 January 2020	86,949	311,165	398,114
Additions	43,786	–	43,786
Balance at 30 June 2020	130,735	311,165	441,900
Accumulated depreciation:			
Balance at 1 January 2019			
Depreciation for the year	(24,810)	(7,082)	(31,892)
Written back on disposals	307	–	307
Balance at 31 December 2019	(24,503)	(7,082)	(31,585)
Balance at 1 January 2020	(24,503)	(7,082)	(31,585)
Depreciation for the period	(15,940)	(3,521)	(19,461)
Balance at 30 June 2020	(40,443)	(10,603)	(51,046)
Net book value:			
Balance at 30 June 2020	90,292	300,562	390,854
Balance at 31 December 2019	62,446	304,083	366,529

As at 30 June 2020, certain land use rights with carrying amounts of RMB192,015 thousand (2019: RMB193,568 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 20).

Notes to the Unaudited Interim Financial Report

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12 INTEREST IN ASSOCIATES

The principal associates of the Group includes Suzhou Jiasheng Broad Homes Industrial Co., Ltd.* (蘇州嘉盛遠大建築工業有限公司), Chengdu Chengtou Broad Construction Technology Co., Ltd.* (成都城投遠大建築科技有限公司), Changde Broad Homes Industrial Co., Ltd.* (常德遠大建築工業有限公司) and other associates that manufacture PC units. None of these associates was individually material to the Groups financial condition or results of operations for the six months ended 30 June 2020 and the year ended 31 December 2019. All of the above associates are accounted for using the equity method in 2020 and 2019. The purpose of the investment in the associates is to enable the Group to expand PC units business in the PRC.

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

Aggregate information of associates that are not individually material:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	339,596	378,644
	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Aggregate amounts of the Group's share of those associates		
Losses from operations	(23,653)	(20,639)
Other comprehensive income	-	-
Total comprehensive income	(23,653)	(20,639)

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(Expressed in Renminbi unless otherwise indicated)

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

14 INVENTORIES

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

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

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

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15 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Arising from performance under construction contracts	270,071	577,370
Less: loss allowance provision	(3,505)	(12,816)
	266,566	564,554
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 16)	2,350,447	2,330,294

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

(b) Contract liabilities

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

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 50% deposit before the manufacturing of PC units and PC equipment.

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16 TRADE AND OTHER RECEIVABLES

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

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

The Group manages its certain state-owned bank or reputable bank acceptance bills by both collecting contractual cash flows and selling them. Due to the carrying amounts of these bills were not material, the Group does not separately classify them as financial assets at fair value through other comprehensive income. Due to the short maturity of these bills, the fair values are not materially different from their carrying amounts.

Notes to the Unaudited Interim Financial Report

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

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

As at 30 June 2020, certain trade and other receivables with carrying amounts RMB81,816 thousand (2019: RMB42,085 thousand) was pledged as collateral for certain bank loans and other borrowings (see note 20).

17 OTHER FINANCIAL ASSETS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Financial assets at fair value through profit or loss – Wealth management products	230,883	–

The wealth management products were issued by banks in the PRC. They were at variable rates on return with a pre-set maturity and the principals are guaranteed. The expected return were dependent on the performance of the foreign exchange rate and gold price of AU9999 respectively.

18 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 deposits and for receivables that have been factored to banks. Upon maturity of the bills payable, maturity of deposits or upon full repayment of the receivables, the restriction on the bank deposits is released.

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19 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash at bank	829,660	1,084,750

Cash at bank includes time deposits of RMB258,629 thousand (2019: RMB314,548 thousand) placed at banks in mainland China and Hong Kong with original maturities of three months or less. These deposits are guaranteed for principal repayment with fixed returns.

20 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guaranteed bank loans	(i)	400,000	610,000
Secured bank loans	(ii)	911,816	942,085
Unsecured bank loans		492,011	431,970
Add: Current portion of non-current loans and borrowings		532,322	361,178
		2,336,149	2,345,233

(i) Guaranteed bank loans

As at 30 June 2020, the Group's current bank loans of RMB400 million were guaranteed by the Group's subsidiary Hunan Broad Construction & Industrial Co., Ltd., of which RMB350 million were also co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd.

As at 31 December 2019, the Group's current bank loans of RMB30 million were guaranteed by the Company.

As at 31 December 2019, the Group's current bank loans of RMB580 million were guaranteed by the Group's subsidiary Hunan Broad Construction & Industrial Co., Ltd., of which RMB450 million were also co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd.

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20 LOANS AND BORROWINGS (CONTINUED)

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

(ii) Secured bank loans

As at 30 June 2020, the Group's current bank loans of RMB400 million were secured by plants and buildings with carrying amounts of RMB51.7 million (see note 10) and land use rights with carrying amounts of RMB37.8 million (see note 11).

As at 30 June 2020, the Group's current bank loans of RMB430 million were secured by plants and buildings with carrying amounts of RMB13.1 million (see note 10), land use rights with carrying amounts of RMB7.4 million (see note 11) and guaranteed by the Group's subsidiary Hunan Broad Construction & Industrial Co., Ltd.

As at 30 June 2020, the Group's current bank loans of RMB81.8 million were secured by trade and other receivables with carrying amounts of RMB81.8 million (see note 16).

As at 31 December 2019, the Group's current bank loans of RMB300 million were secured by plants and buildings with carrying amounts of RMB66.4 million (see note 10) and land use rights with carrying amounts of RMB45.7 million (see note 11).

As at 31 December 2019, the Group's current bank loans of RMB600 million were secured by plants and buildings with carrying amounts of RMB33.7 million (see note 10), land use rights with carrying amounts of RMB31.8 million (see note 11) and guaranteed by the Group's subsidiary Hunan Broad Construction & Industrial Co., Ltd.

As at 31 December 2019, the Group's current bank loans of RMB42.1 million were secured by trade and other receivables with carrying amounts of RMB42.1 million (see note 16).

(b) Long-term loans and borrowings

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guaranteed bank loans	(i)	397,700	198,800
Secured bank loans and other borrowings	(ii)	824,363	221,088
Unsecured bank loans		156,000	214,750
Less: Current portion of non-current loans and borrowings		(532,322)	(361,178)
		845,741	273,460

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20 LOANS AND BORROWINGS (CONTINUED)

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

(i) *Guaranteed bank loans*

As at 30 June 2020, the Group's non-current bank loans of RMB397.7 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB98 million was co-guaranteed by Broad Homes Industrial (Tianjin) Co., Ltd. and RMB111.9 million was due within one year.

As at 31 December 2019, the Group's non-current bank loans of RMB198.8 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB99 million was co-guaranteed by Broad Homes Industrial (Tianjin) Co., Ltd. and RMB101.8 million was due within one year.

(ii) *Secured bank loans*

As at 30 June 2020, the Group's non-current bank loans of RMB640.6 million were secured by plants and buildings with carrying amounts of RMB116.1 million (see note 10), land use rights with carrying amounts of RMB121.7 million (see note 11) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., and RMB185.7 million was due within one year.

As at 30 June 2020, the Group's non-current borrowings of RMB183.8 million were secured by machinery equipments with carrying amount of RMB293.9 million, plants and buildings with carrying amounts of RMB76.5 million (see note 10), land use rights with carrying amounts of RMB62.9 million (see note 11) and guaranteed by the Company, of which RMB78.7 million was due within one year.

As at 31 December 2019, the Group's non-current bank loans of RMB99.8 million were secured by plants and buildings with carrying amounts of RMB45.8 million (see note 10), land use rights with carrying amounts of RMB60.1 million (see note 11) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., all of which was due within one year.

As at 31 December 2019, the Group's non-current borrowings of RMB121.3 million were secured by machinery equipments with carrying amount of RMB197.3 million, plants and buildings with carrying amounts of RMB78.4 million (see note 10), land use rights with carrying amounts of RMB63.6 million (see note 11) and guaranteed by the Company, of which RMB68.1 million was due within one year.

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21 TRADE AND OTHER PAYABLES

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

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

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22 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 2020		As at 31 December 2019	
	Present value of minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of minimum lease payments RMB'000	Total minimum lease payments RMB'000
With 1 year	36,890	40,786	22,211	25,087
After 1 year but within 2 years	21,050	23,215	19,872	21,551
After 2 years but within 3 years	16,348	17,538	9,622	10,461
After 3 years	12,964	13,366	13,841	14,553
	50,362	54,119	43,335	46,565
	87,252	94,905	65,546	71,652
Less: total future interest expenses	-	(7,653)	-	(6,106)
Present value of lease liabilities	-	87,252	-	65,546

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23 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period*

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.5 per share (six months ended 30 June 2019: RMB1 per share)	243,820	365,604

24 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.

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(Expressed in Renminbi unless otherwise indicated)

24 FAIR VALUE MEASUREMENT (CONTINUED)

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

(i) Fair value hierarchy (Continued)

	At 30 June 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	279,823	279,823
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,754,673	1,754,673
– Wealth management products	–	–	230,883	230,883
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	9,603	9,603
	At 31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	310,169	310,169
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,740,938	1,740,938

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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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24 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
Investment properties	Market comparison approach	Premium (discount) on quality of the buildings	The higher the premium/discount, the higher/lower the fair value
Unlisted equity investments	Comparable transaction method/Comparable company method	Price/Invested Capital ratio and Price/Earnings ratio ("P/IC ratio" and "P/E ratio")	The higher the P/IC ratio and P/E ratio, the higher the fair value
Wealth management products	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Bills receivable	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value

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

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

The fair value of 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 and P/E ratio.

The fair value measurement is positively correlated to the P/IC ratio and P/E ratio. As at 30 June 2020, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio and P/E ratio by 1% would have increased/decreased the Group's valuation gains on equity investments by RMB14,915 thousand.

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(Expressed in Renminbi unless otherwise indicated)

24 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 investment in wealth management products are determined by discounting the cash flow associated with the product using risk-adjusted discount rate which is the expected rate of return in the product agreement. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As at 30 June 2020, 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 investment in wealth management products.

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 2020, it is estimated that with all other variables held constant, a decrease/increase in risk-adjusted discount rate by 1% would not have significant impact on the Group's valuation gains on bills receivable.

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

25 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	428,457	497,309

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(Expressed in Renminbi unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	4,768	3,030
Equity-settled share-based payment	–	4,197
Post-employment benefits	24	75
	4,792	7,302

(b) Significant related party transactions

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Sales of products to associates	198	(584)
Sales of products to entities controlled by the controlling shareholder	(2,467)	120
Sales of products to entities controlled by a close family member of controlling shareholder	–	15
Purchase of goods from associates	776	5,444
Purchase of goods from entities controlled by a close family member of controlling shareholder	844	452
Purchase of goods from entities controlled by the controlling shareholder	679	–
Lease of properties from entities controlled by the controlling shareholder	79	399
	109	5,846

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(Expressed in Renminbi unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade debtors	39,022	79,204
Bills receivables	–	6,000
Prepayments	10,044	11
Other receivables	1,759	5,782
Other current assets	4,283	9,153
Trade creditors	(9,051)	(10,621)
Bills payable	–	(1,563)
Contract liabilities	(214)	(326)
Other payables	(4,962)	(1,078)
	40,881	86,562

(d) Guarantee provided to related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guarantee provided to associates		
– Bank loans	–	20,000
– Finance leases	–	10,000
	–	30,000

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

28 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has temporarily impacted the Group's operations and financial position in the first quarter of 2020.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include implementing the various regulations and requirements of local governments at all levels for virus epidemic prevention and controls. The Group will keep the contingency measures under review as the situation evolves.