Changsha Broad Homes Industrial Group Co., Ltd.
長沙遠大住宅工業集團股份有限公司

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

(Stock Code: 2163)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of Changsha Broad Homes Industrial Group Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2021. These results have been audited by the auditors of the Company and reviewed by the Audit Committee of the Company.

This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in relation to information to accompany preliminary announcement of annual results. This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.bhome.com.cn). The full text of the 2021 annual report of the Company will be despatched to the shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

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

Changsha, China, March 30, 2022

As at the date of this announcement, the Board comprises Mr. Zhang Jian, Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as Executive Directors; Mr. Zhang Quanxun and Ms. Hu Keman as non-Executive Directors; and Mr. Chen Gongrong, Mr. Li Zhengnong, Mr. Wong Kai Yan Thomas and Mr. Zhao Zhengting as independent non-Executive Directors.

Contents

Company Profile

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

Through years of industrialized exploration, the Company has accumulated industry-leading software and hardware technologies. In particular, the Company is the first to develop and utilize the PC-CPS (Cyber Physical System), a full-process digital system, in the prefabricated construction industry in China, seeking to achieve massive and continuous production of customized products. The Company is committed to establishing a digital supporting system covering the entire industry chain of construction, in which various elements of the industry chain can be defined and the entire construction process, from design and manufacturing to construction, operation and maintenance, can be simulated on the internet through information technology, thereby determining the variables in the construction process and guiding the actual operation and implementation based on a data-driven approach through IoT of construction industry. Meanwhile, the Company cooperates with relevant enterprises along the industry chain to formulate standards of construction industrialization, thereby transforming the traditional labor – intensive and scattered construction industry into a centralized, efficient and modern manufacturing industry.

Early in 1996, the founder and management team of the Company entered the field of construction industrialization. The Company is among the first batch of enterprises having been named as National Housing Industrialization Bases (國家住宅產業化基地) and has established cooperative relations with nine out of China's top ten property developers and China's top ten construction enterprises. In addition, it provides PC units and technical services for several landmark projects in China.

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

Corporate Information

BOARD

Executive Directors

Mr. Zhang Jian *(Chairman)*
Ms. Tang Fen *(President)*
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. Chen Gongrong
Mr. Zhang Jian

NOMINATION COMMITTEE

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

STRATEGY COMMITTEE

Mr. Zhang Jian *(Chairman)*
Ms. Tang Fen
Ms. Shi Donghong

AUTHORIZED REPRESENTATIVES

Ms. Shi Donghong
Ms. Leung Suet Wing (resigned on July 27, 2021)
Mr. Lee Kwok Fai Kenneth (appointed on July 27, 2021 and resigned on December 17, 2021)
Ms. Ng Ka Man (appointed on December 17, 2021)

JOINT COMPANY SECRETARIES

Ms. Shi Donghong
Ms. Leung Suet Wing (ACG, HKACG) (resigned on July 27, 2021)
Mr. Lee Kwok Fai Kenneth (AICPA, HKICPA, CFA) (appointed on July 27, 2021 and resigned on December 17, 2021)
Ms. Ng Ka Man (ACG, HKACG) (appointed on December 17, 2021)

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[1]

Note 1: Pursuant to Rule 3A.19 of the Hong Kong Listing Rules, the Company engaged Anglo Chinese Corporate Finance, Limited to act as compliance adviser from the listing date (i.e. November 6, 2019) until the date on which the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of the financial results of the Company for the first full financial year after the listing date; on March 1, 2021, the term of service of the compliance adviser has expired and the Company ceased to engage a compliance adviser.

Corporate Information

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS

ir@bhome.com.cn

COMPANY WEBSITE

www.bhome.com.cn

STOCK CODE

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

LISTING DATE

November 6, 2019

Definitions

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

"AGM"	the 2021 annual general meeting of the Company to be held at 10:00 a.m. on April 29, 2022 and any adjournment thereof (if any)
"Articles of Association"	the current prevailing articles of association of the Company
"Audit Committee"	the audit committee of the Company, one of the special committees of the Board
"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
"BOX"	standard modular houses that use high-tech silicon-based composite materials and can be moved, disassembled and reused
"Board"	the board of Directors of the Company
"Broad Homes Mofang"	Changsha Broad Homes Mofang Technology Co., Ltd. (長沙遠大魔方科技有限公司), a wholly-owned subsidiary of the Company
"Broad Homes United Program"	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
"cement"	gray powder, made by calcining lime and clay, which hardens when mixed with water and is generally used in producing mortar and concrete
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"China Real Estate News"	a Chinese real estate newspaper (and its news website) governed by the MOHURD
"CI"	Continuous Improvement
"cloud"	a global network of servers, each with a unique function

Definitions

"Company" or "Broad Homes"	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"concrete"	an artificial, stonelike material used for various structural purposes, made by mixing cement and various aggregates, such as sand, pebbles, gravel or shale, with water and allowing the mixture to harden
"controlling shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules
"curing"	the process where the concrete surfaces are kept wet for a certain period after placing of concrete so as to promote the hardening of cement
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	the Hong Kong Public Offering and the International Offering
"gravel"	impure sandstone containing lime and clay
"Group" or "we/us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign investment share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as our Directors are aware after having made all reasonable enquiries
"Internet +"	"Internet + various traditional industries", leveraging information and communication technologies and Internet platforms to make the Internet and traditional industries deeply integrated to create a new development ecology
"IoT"	internet of things, a network of physical objects embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data thus to realize intelligent identification, positioning, tracking, monitoring and management
"ISO9001"	a standard for quality management systems maintained by the International Organization for Standardization (ISO) and is administered by accreditation and certification bodies
"Joint Factory(ies)"	the entities established under the Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory it operates and manages as context requires
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
"m"	meter(s)
"m^2"	square meter(s)
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange

Definitions

"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOC"	the Ministry of Construction of the PRC (中華人民共和國建設部)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"MOHURD"	Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
"mould"	a device for cutting or molding liquid into a particular shape
"multi-story"	houses and buildings with height between 10 meters (exclusive) and 24 meters (inclusive)
"Nomination Committee"	the nomination committee of the Company, one of the special committees of the Board
"OEM"	original equipment manufacturer, a company that makes a part or subsystem that is used in another company's end product
"Over-allotment Option"	the option granted by the Company in the Global Offering to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The Company issued 167,400 H Shares from partial exercise of the over-allotment option on November 28, 2019
"PC" or "prefabricated concrete"	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
"PC Maker"	the series of software for designing PC units and realizing other functions along the industry chain of prefabricated construction industry, of which PC Maker I is its first generation
"PC Maker I"	a BIM software developed by the Company for designing PC units
"PC-CPS"	cyber-physical-system, an intelligent system to manage the operation and production

"PRC GAAP"	Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"prefabricated building"	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
"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
"rebar" or "bar"	a steel bar or mesh of steel wires used as a tension device in reinforced concrete and reinforced masonry structures to strengthen and aid the concrete under tension
"reinforced concrete"	concrete in which wire mesh or steel bars are embedded to increase its tensile strength
"Reporting Period"	the financial year ended December 31, 2021
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Company, one of the special committees of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen SASAC"	the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen (深圳市人民政府國有資產監督管理委員會)
"State Council"	the State Council of the PRC (中華人民共和國國務院)

Definitions

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

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

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

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

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

Financial Summary and Operating Highlights

1. CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,058,573**	2,613,850	3,369,416	2,269,129	1,935,689
Gross profit	**855,208**	926,807	1,144,019	724,547	704,930
Profit from operations	**157,638**	335,970	600,612	343,563	372,254
Profit before income tax	**32,930**	265,450	733,676	554,269	238,650
Net profit	**31,532**	216,420	676,919	466,304	168,391
Attributable to the followings for the year					
Shareholders of the Company	**32,427**	216,420	676,919	466,304	168,391
Non-controlling shareholders	**(895)**	–	–	–	–
Gearing ratio (Note)	**57.0%**	55.0%	56.5%	60.7%	61.2%

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

2. CONDENSED STATEMENTS OF FINANCIAL POSITION

	As at December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Total non-current assets	**5,770,470**	5,207,489	4,853,065	3,473,386	2,724,729
Total current assets	**4,092,566**	3,983,679	4,714,361	3,852,499	4,246,662
Total assets	**9,863,036**	9,191,168	9,567,426	7,325,885	6,971,391
Equity					
Equity attributable to shareholders of the Company	**4,150,543**	4,138,642	4,166,041	2,882,723	2,706,974
Equity of non-controlling shareholders	**92,386**	–	–	–	–
Total equity	**4,242,929**	4,138,642	4,166,041	2,882,723	2,706,974
Liabilities					
Total non-current liabilities	**1,859,354**	1,146,458	370,664	454,883	441,478
Total current liabilities	**3,760,753**	3,906,068	5,030,721	3,988,279	3,822,939
Total liabilities	**5,620,107**	5,052,526	5,401,385	4,443,162	4,264,417
Total equity and liabilities	**9,863,036**	9,191,168	9,567,426	7,325,885	6,971,391

Financial Summary and Operating Highlights

3. FINANCIAL INFORMATION BY BUSINESS SEGMENT

	Year ended December 31,							
	2021				2020 Note			
	Continuing operations			Discontinued operation	Continuing operations			Discontinued operation
	PC unit manufacturing	PC equipment manufacturing	Modular integrated product manufacturing	Construction contracting	PC unit manufacturing	PC equipment manufacturing	Modular integrated product manufacturing	Construction contracting
	(in RMB'000, except %)				(in RMB'000, except %)			
Revenue	2,694,505	282,079	81,989	-	2,419,235	91,753	–	102,862
Gross profit	736,857	105,915	12,436	-	885,440	26,823	–	14,544
Gross profit margin	27.3%	37.5%	15.2%	-	36.6%	29.2%	–	14.1%

Note: The construction contracting business has been classified as discontinued operation of the Group for the year ended December 31, 2020.

4. FINANCIAL PERFORMANCE HIGHLIGHTS

The financial performance highlights of our continuing operations for the year ended December 31, 2021 are set out below:

Revenue from continuing operations increased by 21.8% from RMB2,511.0 million for the year ended December 31, 2020 to RMB3,058.6 million for the year ended December 31, 2021.

Revenue of PC unit manufacturing business increased by 11.4% from RMB2,419.2 million for the year ended December 31, 2020 to RMB2,694.5 million for the year ended December 31, 2021.

Modular integrated product manufacturing business commenced trial mass production in July 2021, and recorded revenue of RMB82.0 million for the year ended December 31, 2021.

Gross profit from continuing operations decreased by 6.3% from RMB912.3 million for the year ended December 31, 2020 to RMB855.2 million for the year ended December 31, 2021; and gross profit margin decreased from 36.3% for the year ended December 31, 2020 to 28.0% for the year ended December 31, 2021.

Profit from continuing operations decreased by 54.5% from RMB346.8 million for the year ended December 31, 2020 to RMB157.6 million for the year ended December 31, 2021.

Net profit from continuing operations decreased by 85.6% from net profit of RMB219.3 million for the year ended December 31, 2020 to net profit of RMB31.5 million for the year ended December 31, 2021.

Net cash generated from operating activities increased by 344.0% from RMB181.8 million for the year ended December 31, 2020 to RMB807.3 million for the year ended December 31, 2021.

5. OPERATING HIGHLIGHTS

Our operating highlights for the year ended December 31, 2021 are set out below:

New and incomplete contracts

	Year ended December 31,		
	2021 **RMB million**	2020 RMB million	Year-on-year change
New contracts of the PC unit manufacturing business	**4,946.8**	4,090.7	20.9%
New contracts of the modular integrated product manufacturing business	**154.2**	–	–

	As at December 31,		
	2021 **RMB million**	2020 RMB million	Year-on-year change
Incomplete contracts of the PC unit manufacturing business	**6,448.2**	5,195.9	24.1%
Incomplete contracts of the modular integrated product manufacturing business	**61.5**	–	–

Total new contract amount of our PC unit manufacturing business increased by 20.9% from RMB4,090.7 million for the year ended December 31, 2020 to RMB4,946.8 million for the year ended December 31, 2021.

Total new contract amount of our modular integrated product manufacturing business amounted to RMB154.2 million for the year ended December 31, 2021.

Total incomplete contracts amount of our PC unit manufacturing business increased by 24.1% from RMB5,195.9 million for the year ended December 31, 2020 to RMB6,448.2 million for the year ended December 31, 2021.

Total incomplete contracts amount of our modular integrated product manufacturing business amounted to RMB61.5 million for the year ended December 31, 2021.

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

The production volume of our PC units increased by 28.7% from 797,000 cubic metres for the year ended December 31, 2020 to 1,026,000 cubic metres for the year ended December 31, 2021. The sales volume of our PC units increased by 27.1% from 872,000 cubic metres for the year ended December 31, 2020 to 1,108,000 cubic metres for the year ended December 31, 2021.

Our production line utilization rate increased from 37.8% in 2020 to 54.3% in 2021, primarily attributable to (i) the continued increase in contract amount in the current year; and (ii) the reduced impact of the pandemic; and (iii) the release of capacity during the year from new production lines in 2020.

Chairman's Statement

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

Best greetings!

It is a great honour to present you with the responsible results of our performance for such an extraordinary year of 2021.

Despite the severe impact of the pandemic, global economic fluctuations and the overall downturn in the real estate industry, Broad Homes still recorded revenue of RMB3.059 billion from its continuing operations in 2021, representing a year-on-year increase of 21.8%. In addition, both new contracts and incomplete contracts hit record highs.

During the year, we persisted in lean management, cost reduction and efficiency enhancement, facilitated CI improvement, carried out various tasks such as production and operation efficiency improvement, equipment operation efficiency improvement and process efficiency improvement, and improved 655 CI items and facilitated the conversion and utilisation of 62 patents with 107 patents to be explored. During the year, we enhanced our product competitiveness and enriched our diversified product portfolio including the Mofang products, talent apartments, multi-story residences and parking buildings. In particular, the core products, represented by Broad Homes Mofang, were unveiled in March, covering cultural tourism, public facility, office and medical sectors, with projects implemented and delivered in 16 provinces. During the year, with our unwavering efforts in promoting "carbon peaking" and "carbon neutrality" and practicing energy saving and carbon emission reduction in the construction industry, we were awarded as the "Environmental Social Responsibility Enterprise of the Year 2021" by the China Environment News and the "Most Socially Responsible Listed Company under the 2021 Golden Unicorn Best Hong Kong and US Listed Companies Awards" by Sina Finance. During the year, we continued to upgrade our products and services and made steady progress in production and operation. During the year, we continued to upgrade our products and services and made steady progress in production and operation. We were consecutively ranked as the No. 1 preferred brand partner of strategic and honest suppliers of the real estate industry chain (prefabricated PC structure category) in China, were granted the "New Stock with the Most Growth Momentum Award" in the 9th Top 100 HK Awards and were recognised as a "Contributor to Good Living in 2021" by Leju Finance.

It is because of the certainty of development strategy, business model and talent organisation that Broad Homes has been able to overcome the challenging industry cycle, find its way in the uncertain environment and steadily move forward amidst the fierce competition in the industry.

Looking forward, we have great confidence in the future. In 2022, the road ahead will remain bumpy, and we will also endure the combined impact of global economic fluctuations, recurring pandemic, regulation in real estate industry and market competition. Nevertheless, we are confident that we will achieve success in the long term with our hard work, diligence and perseverance.

A series of clear directional guidelines have nurtured new hopes for 2022. The MOHURD has specified its work priorities for this year, including vigorously increasing the supply of subsidised rental housing, launching 2.4 million units (rooms) of subsidised rental housing for the year; vigorously promoting "new urban development" through digitalised, network-based and intelligent operation; implementing the tasks of achieving carbon peaking and carbon neutrality, building green and low-carbon communities, and constructing 15-minute living circle. To capture external opportunities, we will leverage on our extensive experience, unique insight into the current situation and inner confidence to form strong resilience for future development.

Chairman's Statement

In 2022, we will resolutely carry out strategic transformation from a typical PC manufacturer to a manufacturer and service provider of construction products, facilitate the development of a diversified product portfolio and enrich the application scenarios. In particular, we will promote modular building represented by Broad Homes Mofang and carry out in-depth development in cultural tourism, public facility, office and medical sectors; promote B-house to improve the living quality of rural areas, improve its B2C business model and contribute to rural revitalisation; promote high-quality apartment products to solve the housing problems of new immigrants and the younger generation, and contribute to the construction of subsidised rental housing under the "14th Five-Year Plan"; and promote smart parking building products to meet the rigid demands of the general public and relieve the urban traffic pressure. We will continue to maintain our leading position in green technology products, continuously improve our experience in terms of quality, efficiency and cost, strengthen our core competitiveness, and continue to create value for the industry and society. With our goals firmly set, Broad Homes will stride forward with a more courageous and pioneering attitude in 2022.

In 2022, we will commit to improving the PC-CPS platform and turn data into a production element to help upstream and downstream enterprises reducing operating costs, improving operational efficiency and further enhancing quality and efficiency, while also flexibly utilizing their own capabilities to better serve their users. By creating value for customers, the industry and the society, we will gain more recognition and support, thereby forming growth drivers for resilient development of Broad Homes.

We are well aware that comprehensive strength is critical to success in competition among enterprises. As such, in 2022, we will continue to establish an internally-generated talent system and focus on the cultivation and training of key staff to strengthen the adaptability of talents and the organisation to the business environment; optimise the operational incentive mechanism and deepen the implementation of bookkeeping for all staff in order to form greater organisational resilience with a continuous supply of internally generated resources. We will persistently improve the quality of our organisation, workforce, operation and management, and strive to become an "all-rounded top performer" by upholding Broad Homes' philosophy of constantly refreshing our knowledge and endeavoring to go above and beyond.

Thank you for believing in the power of modernised construction industry, in the new mindset of "efficiency is the key" in this era, and in the significance of green and low-carbon technologies for sustainable development. We look forward to marching forward with you on our path to a more glorious future.

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

Changsha • Hunan
March 30, 2022

Management Discussion and Analysis

1. BUSINESS REVIEW AND PROSPECT

Business review

In 2021, we secured contract amount of RMB4,946.8 million for our PC unit manufacturing business, an increase of 20.9% from the previous year, and incomplete contracts of RMB6,448.2 million, an increase of 24.1% from the previous year. Our continuing operations recorded revenue of RMB3,058.6 million, an increase of 21.8% over the previous year.

In March 2021, Broad Homes Mofang (modular integrated product) was officially launched and started trial mass production in July 2021, with projects implemented and delivered in 16 provinces in less than a year, covering cultural tourism, public facility, office, medical and other innovative sectors. We secured new contracts of RMB154.2 million and recorded revenue of RMB82.0 million for the year ended December 31, 2021.

Continuing operations

PC unit manufacturing

The revenue from PC unit manufacturing business increased by 11.4% from RMB2,419.2 million for the year ended December 31, 2020 to RMB2,694.5 million for the year ended December 31, 2021; and the revenue from this segment as a percentage of total revenue decreased from 92.6% for the year ended December 31, 2020 to 88.1% for the year ended December 31, 2021. The gross profit of PC unit manufacturing business decreased by 16.8% from RMB885.4 million for the year ended December 31, 2020 to RMB736.9 million for the year ended December 31, 2021, and the gross profit margin decreased from 36.6% for the year ended December 31, 2020 to 27.3% for the year ended December 31, 2021.

PC equipment manufacturing

The revenue from PC equipment manufacturing business increased by 207.4% from RMB91.8 million for the year ended December 31, 2020 to RMB282.1 million for the year ended December 31, 2021.

Modular integrated product manufacturing business

The revenue from modular integrated product manufacturing business amounted to RMB82.0 million for the year ended December 31, 2021.

The "Broad Homes United Program"

For the year ended December 31, 2021, we disposed of one Joint Factory and acquired one Joint Factory. As such, as of December 31, 2021, we had contributed to 61 Joint Factories, 59 of which were capable of commercial production and 16 achieved profitability for the year ended December 31, 2021. For details of the disposal and acquisition, please refer to "Management Discussion and Analysis – Major acquisitions and disposals of subsidiaries and associates".

Management Discussion and Analysis

Discontinued operation

Construction contracting

We disposed of the construction contracting business to independent third parties in September 2020. For details, please refer to the Company's announcement of "Discloseable Transaction – Disposal of 100% Equity Interest in the Target Company" dated September 29, 2020.

Prospect and strategies

Closely following the policy guidance and take precise measures to promote high-quality development

The 2022 government work report stated that it would continue to meet the housing demand of the public, adhere to the positioning that residential buildings are for living and not for speculating with, explore new development models, continue to focus on both housing rental and purchase, accelerate the development of the long-term rental housing market and facilitate the construction of subsidized housing. During the year, the NPC & CPPCC National Committee annual sessions reiterated the importance of focusing on both housing rental and purchase, which means that the rental sector will develop in two aspects of rental and "subsidized housing + market" during the year, thereby continuously optimizing the supply side of rental housing. At present, with more than 11 million people newly employed in urban areas each year, the rigid demand for housing is relatively strong, and there is a pressing demand from the market to improve both the living environment and living conditions.

For the "14th Five-Year" plan period, China will utilize rural collective business construction lands, idle lands owned by enterprises and institutions, ancillary lands in industrial parks, existing idle housing and newly granted lands to build and source the supply of subsidized rental housing, while allocating special funds and putting more efforts in construction. Long-term rental apartments have been officially included in the "14th Five-Year" plan, and more policies on land and finance will be introduced this year to support the development of rental market, so as to address the diversified demand for high-quality rental housing from tenants in major cities by leveraging the market forces. To capture these opportunities, Broad Homes launched a series of high-quality youth apartments to flexibly meet the demand for large community-based and high-end rental housing. In particular, the multi-storey apartments and high-rise apartments can be delivered with interior finish in 50 and 150 days, respectively, which can solve the housing problem of new immigrants and younger generation in a faster and better manner. In addition, the Broad Homes Mofang talent apartment products developed based on modular space product technology truly enable "building and delivering housing like building and delivery cars", which may help to introduce and retain talents, enhance the "attractiveness" of enterprises to talents, effectively promote regional development, encourage talents to start up new business, and effectively enhance the city competitiveness, thereby achieving sustainable development and contributing to multi-layer housing construction in different sectors during the "14th Five-Year" plan period.

Management Discussion and Analysis

Further promote urban renewal and construction of beautiful and livable villages

China's urban development has entered an important period of urban renewal, changing from large-scale incremental construction in the past to focusing on both quality improvement and transformation of existing buildings and structural adjustment of new buildings, and from "emphasizing quantity" to "pursing quality", which created huge domestic demand potential. During the "14th Five-Year" plan period, China will also continue to strengthen the green and low-carbon construction of townships and accelerate the modernisation of rural housing and village construction, so as to develop green and low-carbon villages. Through systematic efforts such as promoting the construction of green and low-carbon rural housing, China will comprehensively promote energy saving and carbon reduction in villages, and promote the improvement of the rural living environment. In addition, the COVID-19 pandemic has created more pressing demands for improving the living conditions and living environment of the residents.

In response to the rigid demand for high-quality development of urban and rural construction, Broad Homes has initially established a multi-level green and low-carbon product portfolio, including the modular products represented by Broad Homes Mofang which was unveiled in March 2021 with projects implemented and delivered in 16 provinces in less than one year, covering cultural tourism, public facility, office, medical and other innovative sectors; smart parking complex products which will meet the rigid demands of the general public for transportation, relieve the urban traffic pressure and develop new urban culture by integrating with new business models; and B-house series which is a long-standing and well-established product series of the Company with newly injected vitality and has been applied in cities, counties and townships. The construction efficiency of the multi-story fully prefabricated and integrated building products has been greatly enhanced, which can be delivered with interior finish in 100 days, enabling full delivery of multi-story estate in six months. By targeting self-built housing market in rural areas, B-house products effectively improve the living quality of rural areas and facilitate the construction of livable villages, and also establish a B 2 C business model by directly providing building products to terminal users.

Enhance value through transformation and expand the business scale through incremental development

Broad Homes will firmly continue its transformation towards digital, intelligent and green operations, shift to highly efficient and high-quality development with low energy consumption and low emission, make innovative breakthrough in research and development of relevant technologies driven by digital and intelligent upgrade, continuously strengthen the application of the independently developed PC-CPS intelligent manufacturing management system in different aspects, consolidate the construction industry chain, value chain and innovation chain, and cooperate with industry peers to develop a modernized industrial system in construction industry. At present, data resources and industrial digitisation have become the new driver for the high-quality development of China's national economy, and construction industrialisation has gradually entered the era of data-driven and product-based construction from the stage of building information modelling. Broad Homes will transform from a typical PC manufacturer to a manufacturer and service provider of construction products, explore and launch diversified application scenarios, assist the industry in building key infrastructures such as the Internet platform for the construction industry, strengthen information sharing and coordination between supply and demand, enhance the overall efficiency of the construction industry chain, create new values through practical action, and pioneer in co-development with the industry.

Based on the incomplete contracts, our PC products cover a floor area of over 100 million square meters in 2022. With its strategic positioning of “a construction product manufacturer and service provider dedicated to the modernization of the construction industry” and supported by “intelligent technology platform and capital operation platform, Broad Homes will upgrade its major business sectors of EPC (Engineering, Procurement and Construction), Mofang space products, smart parking and housing technology. We plan to lay a solid foundation for achieving the operation scale of RMB100 billion in approximately five years.

Focus on the goals of “carbon peaking” and “carbon neutrality” to build a green future

The goals of achieving “carbon peaking” by 2030 and “carbon neutrality” by 2060 require acceleration in high-quality development. The central government has clearly proposed to “improve the quality of green and low-carbon development of urban and rural construction”, and requires the transformation of construction method which involves “large-scale construction, huge consumption and substantial emission” to promote the green transformation of urban and rural construction.

At present, the total energy consumption of the construction industry and related industries accounts for more than 46% of the total energy consumption of society, and carbon emissions reach over 51%. Low carbon and emission reduction is a social responsibility and a rare development opportunity for all enterprises in the construction industry, and will definitely become a new competitive strength for enterprises in the construction industry. Broad Homes is actively exploring zero-carbon buildings and the accompanying intelligent energy systems that, under optimal conditions, will enable the parks and factories to operate without consumption of external energy and net emission of carbon dioxide during production. Zero-carbon buildings produce more renewable energy than they consume, and the excess energy can be exported to external users to achieve a carbon-negative effect, which provides the most economical and environmentally friendly building and intelligent energy solutions for parks and factories, thereby accelerating sustainable transformation and contributing to achieving the goals of “carbon peaking” and “carbon neutrality”.

In the future, the construction industry must change the traditional model of high input, high pollution and low efficiency through industrialisation, so as to truly integrate the green development concept into all elements and the whole process of building construction, and comprehensively enhance the green and low-carbon development of the construction industry.

Management Discussion and Analysis

2. RESULTS OF OPERATIONS

The following analysis is based on the Group's continuing operations.

The table below sets out a summary of our consolidated results of operations for 2021:

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
		Note
Continuing operations		
Revenue	**3,058,573**	2,510,988
Cost of sales	**(2,203,365)**	(1,598,725)
Gross profit	**855,208**	912,263
Net valuation gains on investment properties	**400**	17,186
Other income	**45,015**	52,760
Sales and distribution expenses	**(279,664)**	(241,924)
General and administrative expenses	**(335,924)**	(267,742)
Research and development expenses	**(127,397)**	(125,735)
Profit from operations	**157,638**	346,808
Finance costs	**(138,284)**	(122,934)
Fair value changes on financial assets at fair value through profit or loss	**(1,957)**	4,546
Share of profits less losses of associates	**(26,461)**	(20,608)
Gains on loss of significant influence in associates	**36,477**	60,158
Loss on disposal of financial assets at fair value through profit or loss	**–**	(657)
Gains on disposal of associates	**5,517**	–
Profit before taxation	**32,930**	267,313
Income tax	**(1,398)**	(47,966)
Profit from continuing operations	**31,532**	219,347
Discontinued operation		
(Loss)/profit from discontinued operation	**–**	(2,927)
Profit for the year	**31,532**	216,420
Including: attributable to shareholders of the Company	**32,427**	216,420
attributable to non-controlling shareholders	**(895)**	–
Basic and diluted earnings per share (RMB)	**0.07**	0.44
Continuing operations	**0.07**	0.45
Discontinued operation	**–**	(0.01)

Note: The construction contracting business has been classified as discontinued operation of the Group for the year ended December 31, 2020.

Revenue

Revenue from continuing operations increased by 21.8% from RMB2,511.0 million for the year ended December 31, 2020 to RMB3,058.6 million for the year ended December 31, 2021.

The table below sets out a breakdown of revenue by business segment for the periods indicated (in absolute terms and as a percentage of our total revenue):

	Year ended December 31,			
	2021		2020	
	Amount RMB'000	As a percentage of total revenue	Amount RMB'000	As a percentage of total revenue
Continuing operations				
PC unit manufacturing	**2,694,505**	**88.1%**	2,419,235	92.6%
PC equipment manufacturing	**282,079**	**9.2%**	91,753	3.5%
Modular integrated product manufacturing business	**81,989**	**2.7%**	–	–
Revenue	**3,058,573**	**100.0%**	2,510,988	96.1%
Discontinued operation				
Construction contracting	**–**	**–**	102,862	3.9%
Total revenue	**3,058,573**	**100.0%**	2,613,850	100.0%

Continuing operations

Revenue from PC unit manufacturing business increased by 11.4% from RMB2,419.2 million for the year ended December 31, 2020 to RMB2,694.5 million for the year ended December 31, 2021; and the revenue from this segment as a percentage of total revenue decreased from 92.6% for the year ended December 31, 2020 to 88.1% for the year ended December 31, 2021. The increase in revenue was primarily due to our (i) continued increase in contract amount; (ii) increased capacity utilisation; and (iii) continued focus and expansion of our PC unit manufacturing business.

Revenue from PC equipment manufacturing business increased by 207.4% from RMB91.8 million for the year ended December 31, 2020 to RMB282.1 million for the year ended December 31, 2021; and the revenue from this segment as a percentage of total revenue increased from 3.5% for the year ended December 31, 2020 to 9.2% for the year ended December 31, 2021, which was primarily due to the fact that affected by the pandemic in the previous period, the completion of equipment installation and acceptance of the Joint Factories was postponed to the year ended December 31, 2021.

Revenue from modular integrated product manufacturing business amounted to RMB82.0 million for the year ended December 31, 2021, and the revenue from this segment as a percentage of total revenue was 2.7%.

Management Discussion and Analysis

Cost of sales

Our cost of sales increased by 37.8% from RMB1,598.7 million for the year ended December 31, 2020 to RMB2,203.4 million for the year ended December 31, 2021, which was mainly due to the increase in revenue and higher costs resulting from higher raw material prices.

The table below sets out a breakdown of the cost of sales by business segment for the periods indicated (in absolute terms and as a percentage of our total cost of sales):

	Year ended December 31,			
	2021		2020	
	Amount RMB'000	As a percentage of total cost of sales	Amount RMB'000	As a percentage of total cost of sales
Continuing operations				
PC unit manufacturing	**1,957,648**	**88.8%**	1,533,795	90.9%
PC equipment manufacturing	**176,164**	**8.0%**	64,930	3.8%
Modular integrated product manufacturing business	**69,553**	**3.2%**	–	–
Cost of sales	**2,203,365**	**100.0%**	1,598,725	94.7%
Discontinued operation				
Construction contracting	**–**	**–**	88,318	5.3%
Total cost of sales	**2,203,365**	**100.0%**	1,687,043	100.0%

Continuing operations

The cost of sales of PC unit manufacturing business increased by 27.6% from RMB1,553.8 million for the year ended December 31, 2020 to RMB1,957.6 million for the year ended December 31, 2021, which was mainly due to (i) a corresponding increase in costs as a result of the growth in revenue; and (ii) an increase in costs as a result of higher raw material prices.

The cost of sales of PC equipment manufacturing business increased by 171.3% from RMB64.9 million for the year ended December 31, 2020 to RMB176.2 million for the year ended December 31, 2021, which was mainly due to the increase in revenue and the corresponding increase in costs.

The cost of sales of modular integrated product manufacturing business amounted to RMB69.6 million for the year ended December 31, 2021.

Gross profit and gross profit margin

Gross profit from continuing operations decreased by 6.3% from RMB912.3 million for the year ended December 31, 2020 to RMB855.2 million for the year ended December 31, 2021; and gross profit margin decreased from 36.3% for the year ended December 31, 2020 to 28.0% for the year ended December 31, 2021.

The table below sets out a breakdown of gross profit by business segment for the periods indicated, and as a percentage of revenue (i.e. gross profit margin) of each business segment:

	Year ended December 31,			
	2021		2020	
	Amount RMB'000	**Gross profit margin %**	Amount RMB'000	Gross profit margin %
Continuing operations				
PC unit manufacturing	**736,857**	**27.3%**	885,440	36.6%
PC equipment manufacturing	**105,915**	**37.5%**	26,823	29.2%
Modular integrated product manufacturing business	**12,436**	**15.2%**	–	–
Gross profit and gross profit margin	**855,208**	**28.0%**	912,263	36.3%
Discontinued operation				
Construction contracting	**–**	**–**	14,544	14.1%
Total gross profit and gross profit margin	**855,208**	**28.0%**	926,807	35.5%

Continuing operations

The gross profit of PC unit manufacturing business decreased by 16.8% from RMB885.4 million for the year ended December 31, 2020 to RMB736.9 million for the year ended December 31, 2021; and the gross profit margin decreased from 36.6% for the year ended December 31, 2020 to 27.3% for the year ended December 31, 2021, which was mainly due to (i) the decrease in unit costs as a result of the increase in our sales volume; and (ii) which was offset by the decrease in sales prices and the increase in raw material prices.

The gross profit of PC equipment manufacturing business increased by 294.9% from RMB26.8 million for the year ended December 31, 2020 to RMB105.9 million for the year ended December 31, 2021; and the gross profit margin increased from 29.2% for the year ended December 31, 2020 to 37.5% for the year ended December 31, 2021, which was mainly due to (i) the increase in revenue; and (ii) the increase in gross profit and gross profit margin as a result of our cost reduction and efficiency enhancement measures.

The gross profit of modular integrated product manufacturing business amounted to RMB12.4 million for the year ended December 31, 2021, and the gross profit margin was 15.2% for the year ended December 31, 2021.

Net valuation gains on investment properties

We recorded valuation gains on investment properties of RMB0.4 million for the year ended December 31, 2021, as compared to RMB17.2 million for the year ended December 31, 2020.

Other income

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants	**30,958**	48,059
Operating lease income from lease of investment properties	**8,599**	6,131
Losses on disposal of property, plant and equipment and right-of-use assets	**(2,690)**	(1,082)
Losses on disposal of investment properties	**(961)**	(3,603)
Gain on disposal of other financial assets	**272**	3,244
Dividend income	**8,966**	3,960
Others	**(129)**	(3,949)
Total	**45,015**	52,760

Our other income decreased by 14.7% from RMB52.8 million for the year ended December 31, 2020 to RMB45.0 million for the year ended December 31, 2021, primarily attributable to (i) the increase in lease income from investment properties and dividend income, which was offset by (ii) the decrease in our government grants.

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 15.6% from RMB241.9 million for the year ended December 31, 2020 to RMB279.7 million for the year ended December 31, 2021, and such expenses as a percentage of our revenue from continuing operations of the corresponding period decreased from 9.6% to 9.1%, which was mainly due to (i) increase in freight due to increase in product sales volume; (ii) an increase in operation cost and promotion fee due to the increased promotion of modular integrated products; and (iii) decrease in staff remuneration, vehicle utilization fee and other expenses due to our cost reduction and efficiency enhancement measures.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Freight	**141,708**	102,326
Staff remuneration	**69,642**	73,297
After-sale service fee	**5,553**	5,455
Operation cost, promotion fee, etc.	**47,204**	42,598
Depreciation and amortization	**3,912**	4,424
Vehicle utilization fee	**4,760**	6,030
Others	**6,885**	7,794
Total	**279,664**	241,924

Management Discussion and Analysis

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff, bad debt provision and depreciation and amortization. Such expenses increased by 25.5% from RMB267.7 million for the year ended December 31, 2020 to RMB335.9 million for the year ended December 31, 2021, and such expenses as a percentage of our revenue from continuing operations of the corresponding period increased from 10.7% to 11.0%, primarily attributable to (i) provision for significant amount of bad debt; (ii) the intermediary fees incurred for the Company's suspended initial public offering and listing of A Shares; and (iii) the cost reduction and efficiency enhancement measures taken by us to control costs and expenses through multiple channels.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Staff remuneration	**66,956**	71,180
Business taxes and surcharges	**23,636**	30,097
Depreciation and amortization	**63,761**	50,502
Bad debt provision	**94,231**	38,742
Office expenses, travel expenses	**24,161**	19,032
Intermediary consulting fees	**38,462**	28,386
Others	**24,717**	29,803
Total	**335,924**	267,742

Research and development expenses

Our research and development expenses primarily consist of staff remuneration, experiment and material costs and depreciation and amortization. The total research and development expenses increased by 5.0% from RMB180.9 million for the year ended December 31, 2020 to RMB189.8 million for the year ended December 31, 2021. For the years ended December 31, 2021 and 2020, RMB127.4 million and RMB125.7 million of our research and development expenses were incurred, respectively, and RMB62.4 million and RMB55.1 million of our research and development expenses were capitalized, accounting for 32.9% and 30.5% of our research and development expenses for the same year, respectively. In addition to our continued investment in research and development for our existing businesses, we have also increased our investment in research and development for new businesses such as modular integrated product, smart parking, talent apartments and information system development.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Staff remuneration	**78,331**	85,310
Experiment and material costs	**97,376**	70,997
Depreciation and amortization	**5,605**	9,799
Others	**8,533**	14,755
Total research and development expenses	**189,845**	180,861
Capitalization of research and development expenses	**(62,448)**	(55,126)
Total	**127,397**	125,735

Finance costs

Our finance costs consist primarily of interest on bank loans and other borrowings, interest expenses and interest on lease liabilities. Such costs increased by 12.5% from RMB122.9 million for the year ended December 31, 2020 to RMB138.3 million for the year ended December 31, 2021, which was mainly due to the increase in foreign exchange gain or loss as a result of exchange rate changes.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**127,086**	137,808
Interest on lease liabilities	**8,604**	4,725
Interest income	**(10,834)**	(14,387)
Net foreign exchange loss/(gain)	**13,428**	(5,212)
Total	**138,284**	122,934

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

Our loss on such fair value changes amounted to RMB2.0 million for the year ended December 31, 2021, as compared to gain on such fair value changes of RMB4.5 million for the year ended December 31, 2020.

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 during start-up stage, we recorded a loss on our investment in the associates as a whole during the Reporting Period. Share of profits less losses of associates increased by 28.4% from a loss of RMB20.6 million for the year ended December 31, 2020 to a loss of RMB26.5 million for the year ended December 31, 2021, which was mainly due to (i) the fact that certain Joint Factories were in the capacity build-up period; and (ii) the increase in raw material prices during the year.

Gains on loss of significant influence in associates

Based on our "two-level management strategy" and "two-level management research", for the years ended December 31, 2021 and 2020, 3 and 2 Joint Factories that we had made 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 RMB36.5 million and RMB60.2 million, respectively. Since 2018, to better cope with the management resources pressure as a result of the implementation of the "Broad Homes United Program", and activate cooperative partners, taking into comprehensive account of management cost, decision-making efficiency and intention of partners, the Company adjusted the management and control mode of certain Joint Factories and the majority of Joint Factories completed such shift in management mode in 2018 and 2019. The Company confirmed that, the re-measurement and re-classification criteria of the above Joint Factories complied with the reclassification criteria as disclosed in the section headed "Development of the 'Two-level Management Strategy' on Our Portfolio of Joint Factories" in the financial section of the Prospectus.

The fair value of Joint Factories as financial assets at fair value through profit or loss was determined by valuation. The Company determined the value primarily based on independent valuation reports prepared by the valuer. The Company determined the fair value of the relevant financial assets using the comparable transactions method and the comparable company method under the market approach according to the different development stages of the Joint Factories. Among the Joint Factories re-measured as financial assets at fair value through profit or loss, 36 were in the initial operation period while 16 were in the rapid development period and 14 of these 52 Joint Factories were profitable. Under the market approach, accumulated losses incurred by a company in the initial operation period cannot be considered as an impairment of the initial investment. On the other hand, the prefabricated construction industry is supported by government policies and has a good prospect. According to the valuation results obtained by the professional body using the above valuation approach, such gains were recorded because the fair value of the financial assets exceeded the amount of interests held in the associates before the loss of significant influence over the target companies.

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

For the year ended December 31, 2021, we did not recorded such gain as we did not dispose of financial assets at fair value through profit or loss. For the year ended December 31, 2020, the loss on disposal of such financial assets was RMB0.7 million.

Gains on disposal of associates

For the year ended December 31, 2021, we recorded gains on disposal of associates of RMB5.5 million, as compared to no relevant gains for the year ended December 31, 2020 as we did not dispose of any associate. Please refer to "Management Discussion and Analysis – Major acquisitions and disposals of subsidiaries and associates".

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. Our income tax decreased by 97.1% from RMB48.0 million for the year ended December 31, 2020 to RMB1.4 million for the year ended December 31, 2021.

Profit for the year

In view of the above, our profit for the year decreased by 85.4% from profit of RMB216.4 million for the year ended December 31, 2020 to profit of RMB31.5 million for the year ended December 31, 2021.

3. WORKING CAPITAL AND CAPITAL RESOURCES

We have met our capital needs through cash flows from operations and financing. As at December 31, 2021, our balance of cash and cash equivalents amounted to RMB540.7 million while as at December 31, 2020, our cash and cash equivalents were RMB828.3 million.

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Net cash generated from operating activities	**807,274**	181,814
Net cash used in investing activities	**(525,094)**	(367,074)
Net cash used in financing activities	**(556,384)**	(76,414)
Net decrease in cash and cash equivalents	**(274,204)**	(261,674)
Effect of foreign exchange rate changes	**(13,428)**	5,212
Cash and cash equivalents at the beginning of the year	**828,288**	1,084,750
Cash and cash equivalents at the end of the year	**540,656**	828,288

Net cash generated from operating activities

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

For the year ended December 31, 2021, net cash generated from operating activities was RMB807.3 million, mainly due to profit before income tax of RMB32.9 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including RMB245.6 million of depreciation and amortization, losses on disposal of property, plant and equipment and right-of-use assets of RMB2.7 million, bad debt provision and inventory provision of RMB94.2 million, government grant amortization benefit of RMB4.9 million, finance expenses of RMB138.3 million, share of profits less losses of associates of RMB26.5 million, gain on disposal of associates of RMB5.5 million, gains on loss of significant influence in associates of RMB36.5 million, losses on fair value change of financial assets at fair value through profit or loss of RMB2.0 million, dividend income of RMB9.0 million, net valuation gains on investment properties of RMB0.4 million, and loss on disposal of investment properties of RMB1.0 million; and (ii) changes in working capital, mainly including an increase in inventory of RMB73.6 million, an increase in trade and other receivables of RMB347.1 million, an increase in trade and other payables of RMB940.9 million, a decrease in contract liabilities of RMB175.7 million, an increase in deferred income of RMB7.8 million and income tax paid of RMB31.8 million.

Net cash used in investing activities

For the year ended December 31, 2021, net cash used in investing activities was RMB525.1 million, mainly attributable to (i) payment for purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB630.6 million; (ii) payment for acquisition of financial assets at fair value through profit or loss of RMB200.2 million; (iii) payment for interests in associates of RMB10.2 million; (iv) proceeds from disposal of financial assets at fair value through profit or loss of RMB164.0 million; (v) proceeds from disposal of property, plant and equipment of RMB2.5 million; (vi) proceeds from disposal of interests in associates and subsidiaries of RMB91.1 million; (vii) proceeds from disposal of investment properties of RMB13.6 million; and (viii) dividends received of RMB33.5 million and proceeds from other investing activities of RMB11.3 million.

Net cash used in financing activities

For the year ended December 31, 2021, net cash used in financing activities was RMB556.4 million, mainly due to (i) proceeds from loans and borrowings of RMB1,773.3 million; (ii) repayment of borrowings of RMB2,143.8 million; (iii) payment of interest on borrowings of RMB127.3 million; (iv) payment for repurchase of treasury shares of RMB20.5 million; and (v) principal and interest of lease liabilities paid of RMB38.1 million.

Borrowings

Our total borrowings decreased by RMB92.8 million from RMB2,983.3 million as at December 31, 2020 to RMB2,890.5 million as at December 31, 2021. As at December 31, 2021, we had bank facilities of approximately RMB4,951.9 million (credit facilities), of which approximately RMB1,638.8 million remains unutilized.

Capital expenditures

Our previous capital expenditures were mainly due to the purchase of property, plant and equipment, right-of-use assets and intangible assets, the purchase of wealth management products, and the capital injection in associates. Our capital expenditures decreased from RMB1,230.6 million for the year ended December 31, 2020 to RMB841.0 million for the year ended December 31, 2021.

Net current assets

Our net current assets increased by 327.5% from RMB77.6 million for the year ended December 31, 2020 to RMB331.8 million for the year ended December 31, 2021. We will continue to improve our net current asset/liability position through the measures set forth below: (i) expanding financing channels and reducing the use of our own funds for long-term asset investments; and (ii) coordinating with customers on the settlement of trade debtors and bills receivable and expedite the implementation of customers' projects so as to timely recognize received advances as revenues.

Pledge of assets

For the year ended December 31, 2021, our restricted bank deposits were RMB312.9 million, as compared to restricted bank deposits of RMB206.8 million for the year ended December 31, 2020.

Off-balance sheet commitments and arrangements

For the year ended December 31, 2021, we had no off-balance sheet arrangements.

Future plan for significant investments and capital assets

For the year ended December 31, 2021, save as those disclosed in this report, the Group did not have any significant investment or capital asset acquisition approved by the Board.

Major acquisitions and disposals of subsidiaries and associates

During the year ended December 31, 2021, we have completed the capital increase in Henan Xinpu Broad Homes Residential Industry Co., Ltd. (河南新蒲遠大住宅工業有限公司) ("Xinpu Broad Homes"), and obtained a majority of seats on its board of directors. As a result, "Xinpu Broad Homes" became a subsidiary of the Company.

On July 30, 2021, the Company entered into the capital increase agreement with "Xinpu Broad Homes", Henan Urban and Rural Planning, Design and Research Institute Co., Ltd. (河南省城鄉規劃設計研究總院股份有限公司), Xinpu Construction Group Co., Ltd. (新蒲建設集團有限公司) and Henan Jianding Construction Engineering Co., Ltd. (河南省建鼎建築工程有限公司). Pursuant to the capital increase agreement, the Company will increase the capital in"Xinpu Broad Homes" by RMB15.0 million, of which RMB12.2 million will be used to increase the registered capital and RMB2.8 million will be credited to capital reserve. Upon completion of the capital increase, the Company's shareholding in "Xinpu Broad Homes" increased from 35% to 42.06%. For details, please refer to the Company's announcements dated July 27, 2021, July 30, 2021 and August 23, 2021. As of December 31, 2021, the shareholders' general meeting of "Xinpu Broad Homes" considered and approved the proposals on amendment to its articles of association and adjustment to the composition of the board of directors, relevant procedures for change of business registration was completed and the Company completed the payment for the capital increase. Since August 23, 2021, the Company has obtained a majority of seats on the board of directors of "Xinpu Broad Homes" and therefore Xinpu Broad Homes has become a subsidiary of the Company and its financial statements have been consolidated into the financial statements of the Company since August 23, 2021.

During the year ended December 31, 2021, we disposed of our 35% equity interest in Suzhou Jiasheng Broad Homes Industrial Co., Ltd. (蘇州嘉盛遠大建築工業有限公司) ("Jiasheng Broad Homes") to Suzhou Jiasheng Group Prefabricated Construction Development Co., Ltd. (蘇州嘉盛集團裝配式建築發展有限公司), and as a result, "Jiasheng Broad Homes" ceased to be an associate of the Company.

On July 23, 2021, the Company entered into an equity transfer agreement with Suzhou Jiasheng Group Prefabricated Construction Development Co., Ltd. (蘇州嘉盛集團裝配式建築發展有限公司) and Suzhou Jiasheng Group Co., Ltd. (蘇州嘉盛集團有限公司). Pursuant to the equity transfer agreement, the Company disposed of its 35% equity interest in "Jiasheng Broad Homes" to Suzhou Jiasheng Group Prefabricated Construction Development Co., Ltd. As of December 31, 2021, the proposal on amendments to the articles of association of "Jiasheng Broad Homes" was considered and approved at the shareholders' general meeting of "Jiasheng Broad Homes", relevant procedures for change of business registration was completed and the Company had received full payment for the transfer. Please refer to "Management Discussion and Analysis – Gains on disposal of associates".

Save as disclosed above, during the year ended December 31, 2021, the Group did not make any major acquisition and disposal of subsidiaries and associates.

Employees and remuneration policy

For the year ended December 31, 2021, we had 3,180 full-time employees (annual average for 2021). 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) increased by 2.9% from RMB434.7 million for the year ended December 31, 2020 to RMB447.1 million for the year ended December 31, 2021, primarily attributable to (i) the increase in remuneration expenses on a piece-rate basis as a result of increased business output ; and (ii) the decrease in remuneration expenses in 2020 affected by the COVID-19 pandemic.

4. COMMITMENTS

Capital Commitments

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

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Contracted for	**419,582**	551,888
Total	**419,582**	551,888

5. FINANCIAL RATIOS

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

	Year ended December 31,	
	2021	2020
Current ratio (1)	**1.1**	1.0
Quick ratio (2)	**1.0**	1.0
Loan-to-equity ratio (3)	**68.1%**	72.1%
Return on total assets (4)	**0.3%**	2.3%
Return on equity (5)	**0.8%**	5.2%
Interest coverage ratio (6)	**1.2**	3.2

Notes:

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

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

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

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

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

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

Current Ratio

Our current ratio increased from 1.0 as at December 31, 2020 to 1.1 as at December 31, 2021. 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 Assets/ Liabilities".

Quick Ratio

Our quick ratio remained at 1.0 as at December 31, 2020 and December 31, 2021. 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 Assets/ Liabilities".

Loan-to-equity Ratio

Our loan-to-equity ratio decreased from 72.1% as at December 31, 2020 to 68.1% as at December 31, 2021.

Return on Total Assets

Our return on total assets decreased from 2.3% for the year ended December 31, 2020 to 0.3% for the year ended December 31, 2021.

Return on Equity

Our return on equity decreased from 5.2% for the year ended December 31, 2020 to 0.8% for the year ended December 31, 2021.

Interest Coverage Ratio

Our interest coverage ratio decreased from 3.2 times for the year ended December 31, 2020 to 1.2 times for the year ended December 31, 2021.

6. LIQUIDITY RISK

Our objective is to ensure continuity of sufficient funding and funding flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our subsidiaries may arrange their liquidity, including short-term investment of cash surplus and obtaining loans to satisfy their cash requirement, at their discretion according to their operating conditions and business needs, subject to the approval from the Board in the event beyond their entitlement. We constantly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash reserve and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

Moreover, we actively and regularly review and manage our capital structure and adjust our capital structure in light of changes in economic condition. In 2021, we did not make any changes in the objectives, policies or process of capital management.

7. CREDIT RISK

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

We have established credit policies to continuously monitor our credit risks. Our credit risk is mainly affected by the individual characteristics of each customer rather than the industries or country in which the customers operate, and therefore concentration of credit risk primarily arises when we have significant exposure to individual customers. In this regard, we conduct individual credit assessment on customers requiring credit over a certain amount to manage the risks. Those assessments focus on the payment history and the current payment ability of customers, and take into account information specific to the customer as well as in relation to economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, we do not obtain collateral from customers. We continuously monitor the condition of our receivables balance.

Turnover days of trade debtors and bills receivable

Our overall turnover days of trade debtors and bills receivable decreased from 346 days for the year ended December 31, 2020 to 327 days for the year ended December 31, 2021, of which the turnover days of trade debtors and bills receivable of the PC unit manufacturing business increased from 290 days for the year ended December 31, 2020 to 333 days for the year ended December 31, 2021, and the turnover days of the PC equipment manufacturing business decreased from 1,751 days for the year ended December 31, 2020 to 359 days for the year ended December 31, 2021.

8. INTEREST RATE RISK

Our risk from interest rate movements primarily arises from long-term borrowings. We are exposed to cash flow interest rate risk and fair value interest rate risk relating to our borrowings with floating rates and fixed rate, respectively. Our management controls our interest rate risk by reviewing the borrowings with fixed rates and floating rates. During the Reporting Period, we did not consider it necessary to use interest rate swaps to hedge our exposure to interest rate risk.

As at December 31, 2021, balance of fixed-rate borrowings amounted to RMB1,402.7 million, with the fixed interest rate ranging from 0% to 14.4% per annum, which was mainly attributable to the fixed interest rate of 8.3% to 14.4% per annum of the borrowings of "Xinpu Broad Homes" prior to its consolidation into the Group. As at December 31, 2021, the balance of such fixed-rate borrowings of "Xinpu Broad Homes" amounted to RMB4.1 million. Excluding "Xinpu Broad Homes", the fixed interest rate of our borrowings ranged from 0% to 5.2% per annum. The balance of floating-rate borrowings amounted to RMB1,487.7 million, with floating interest rate ranging from 4.1% to 5.17% per annum.

9. FOREIGN EXCHANGE RISK

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. No material foreign exchange exposure and foreign currency risk are recognized as at December 31, 2021.

10. CONTINGENT LIABILITIES

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

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jian (張劍先生), aged 58, is the founder of the Company, and has been the chairman of the Board and an executive Director since the date of the incorporation of the Company in April 2006. Mr. Zhang takes charge of the overall affairs of the Board, participates in the formulation and implementation of the business and operation strategies of the Company and makes significant business and operational decisions of the Company through the Board.

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

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

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

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

Directors, Supervisors and Senior Management

Ms. Tang Fen (唐芬女士), aged 45, is an executive Director and the president of the Company. She takes charge of the overall management and operation of the Company. Ms. Tang joined the Group in August 2006, and previously served as the general manager of the investment and cooperation affairs department and vice president of the Company successively.

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

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

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

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

Ms. Shi Donghong (石東紅女士), aged 45, is an executive Director, a vice president, the chief financial officer, the secretary of the Board and the joint company secretary of the Company. She is responsible for the overall financial management, corporate development and board secretarial work of the Company. Ms. Shi joined the Group in December 2007, and previously served as the finance manager, deputy manager of strategy office and manager of capital operation department of the Company successively.

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

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

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

Mr. Zhang Kexiang (張克祥先生), aged 58, is an executive Director and a vice president of the Company. He is responsible for the data operation centre of the Company. Mr. Zhang joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the manager of manufacture department of the Company, responsible for management affairs.

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

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

Mr. Tan Xinming (譚新明先生), aged 46, is an executive Director and a vice president of the Company. He is responsible for business operation and management of the Company. Mr. Tan joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the secretary of the chairman's office, procurement manager and construction general manager of the Company successively.

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

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

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

Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Zhang Quanxun (張權勳先生), aged 48, is a non-executive Director of the Company. He is mainly responsible for participating in major decision-making of the Company and offering professional advice and judgment to the Board.

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

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

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

Ms. Hu Keman (胡克嫚女士), whose previous name was Hu Keman (胡克曼), aged 55, is a non-executive Director of the Company and has successively served as assistant to the chairman and deputy director of the Strategic Management Committee of Zoomlion Heavy Industry Science and Technology Co., Ltd. (listed on the Shenzhen Stock Exchange (stock code: 000157) (A shares) and the Hong Kong Stock Exchange (stock code: 01157) (H shares), respectively) since January 2013, the vice chairman of Zoomlion Group Finance Co., Ltd. (中聯重科集團財務有限公司) since May 2015; a director of Zoomlion Capital Co., Ltd. (中聯重科資本有限責任公司) since October 2015; and the chairman of Beijing Junlai Capital Management Co., Ltd. (北京君來資本管理有限公司) since June 2018.

Prior to that, Ms. Hu worked in Changsha Construction Machinery Research Institute of the MOC from October 1988 to February 1993, responsible for standards management. From February 1993 to June 2007, Ms. Hu served as a director of the office and manager of the real estate department of Zoomlion Heavy Industry Science and Technology Co., Ltd., which is mainly engaged in research and development, manufacturing, production and sales of high-tech equipment such as construction machinery and agricultural machinery. From June 2007 to May 2009, Ms. Hu served as the general manager of Changsha Zhongliang Real Estate Investment Co., Ltd. (長沙中糧地產投資有限公司). From May 2009 to December 2012, Ms. Hu worked as an investment consultant in Hongyi Investment (Beijing) Co., Ltd. (弘毅投資 (北京)有限公司).

Ms. Hu obtained a bachelor's degree in electrical engineering from Hunan University in June 1988 and a master's degree in management science and engineering from Hunan University in June 2005.

Independent Non-executive Directors

Mr. Chen Gongrong (陳共榮先生), aged 59, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

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

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

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

Mr. Li Zhengnong (李正農先生), aged 59, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board. Since February 2005, Mr. Li has served as a professor at the School of Civil Engineering of Hunan University, mainly responsible for teaching and research as the director of the key laboratory for building safety and energy efficiency education division.

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

Mr. Wong Kai Yan Thomas (王佳欣先生), aged 51, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

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

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

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

Mr. Zhao Zhengting (趙正挺先生), aged 50, is an independent non-executive Director of the Company and is mainly responsible for supervising and offering independent advice and judgment to the Board.

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

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

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

SUPERVISORS

Ms. Zhang Mingxin (張明鑫女士), whose former name was Zhang Mingxing (張明星), aged 43, is the chairman of the Supervisory Committee of the Company, responsible for directing the work of the Supervisory Committee, coordinating Supervisors to jointly supervise the operating and financial activities of the Company. Ms. Zhang is also the administrative director of the Company, responsible for administration services of the Company. Ms. Zhang joined the Group at the time of the incorporation of the Company in April 2006 and previously served as the secretary of the president's office, the head of personnel department of the supply chain division, a procurement engineer and the director of the administrative services division of the Company successively.

Before joining the Group, Ms. Zhang successively served as an office director and cashier of Changsha Wangcheng District Film Distribution and Screening Company* (長沙市望城區電影發行放映公司) (a company mainly engaged in film distribution and screening business) from August 1996 to September 2001 and was mainly responsible for capital management. She served as a data management officer of Broad Lingmu from October 2001 to April 2006 and was mainly responsible for data management.

Ms. Zhang graduated from China Central Radio and TV University* (中央廣播電視大學) in April 2005, majoring in administration management.

Mr. Li Gen (李根先生), aged 37, is a non-employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Mr. Li is also the capital operation director of the board secretary office of the Company, responsible for the capital-operational work of the Company. Mr. Li joined the Group in October 2010 and previously served as a financing manager of the strategy research office and a manager of the capital operation department successively.

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

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

Ms. Liu Jing (劉景女士), aged 40, is an employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Ms. Liu Jing is also the branding director of the Company, responsible for the coordination of brand development and implementation of promotion projects of the Group. Ms. Liu Jing joined the Group in October 2012, and she has been serving as the branding director of the Company since then.

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

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

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

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

Mr. Hu Shengli (胡勝利), aged 48, is the co-president of the Company and CEO of Changsha Broad Homes Cube Technology Co., Ltd. (長沙遠大魔方科技有限公司).

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

Mr. Hu was selected as one of the Top Ten Outstanding Youths of the second session of the Information Industry of Hunan Province and the torchbearer of the Changsha Station of the 2008 Beijing Olympic Games. "JD Special CEO Award" was awarded to 3C and Entertainment Business Unit under Mr. Hu's leadership in 2017.

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

JOINT COMPANY SECRETARIES

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

Ms. Ng Ka Man (吳嘉雯女士) is the manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for provision of corporate secretarial and compliance services to listed company clients. Ms. Ng has over 15 years of experience in the company secretarial field. She is a member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Report of the Board

The Board is pleased to present the report of the Board and the audited consolidated financial statements of the Group for the year ended December 31, 2021.

GLOBAL OFFERING AND USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019, and the Company issued a total of 122,035,400 H Shares in Global Offering (including 167,400 H Shares issued upon partial exercise of the Over-allotment Option) at an offer price of HK$9.68 per Share with a nominal value of RMB1.00 each. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019. In addition, as disclosed in the announcements of the Company dated April 20, 2021 and November 30, 2021 and the supplemental announcement dated December 24, 2021 (collectively, the "**Relevant Announcements**"), the Board has considered and approved the change of use of proceeds from the H Shares offering on April 20, 2021 and November 30, 2021, respectively. Net proceeds from the Global Offering (including the partial exercise of the Over-allotment Option) aggregated to approximately HK$1,111.7 million (net of underwriting commission and related Listing expenses). As at December 31, 2021, balance of the unutilized net proceeds was approximately HK$237.02 million[1].

Net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in the same manner as set out in the Prospectus and Relevant Announcements. The table below sets out the planned use of net proceeds and the actual use as at December 31, 2021:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK$ million)	Amount Utilized (as at December 31, 2021) (HK$ million)	Amount Unutilized (as at December 31, 2021) (HK$ million)	Expected Time for Utilization of Unutilized Amount
(I) Expanding PC Unit Manufacturing Business	45	500.30	416.86	83.43	–
(1) Establishing Wholly-owned Regional Production Centres in Key Strategic Regions	36.97	410.97	327.54	83.43	Before December 31, 2022
(2) Expanding Factories and Upgrading Equipment in Existing Regional Production Centres	8.03	89.32	89.32	0	–
(II) Expansion in Overseas and Domestic Markets, Establishing Technology and Production Centers Targeting Overseas and Domestic Markets	7.04	78.28	78.28	0	–
(III) Developing and Expanding Intelligent Equipment Business	5.09	56.56	56.56	0	–
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	4.41	49.07	49.07	0	–
(V) Working Capital and Other General Corporate Purposes	38.45	427.50	301.88	125.62	Before December 31, 2022
Total	100	1,111.7	902.64	209.05	

Note:

(1) Net proceeds from offering were approximately HK$1,111.7 million, of which approximately HK$902.64 million had been utilized as at December 31, 2021, approximately HK$27.97 million were obtained through foreign exchange settlement and deposits and approximately HK$237.02 million were unutilized as at December 31, 2021.

PRINCIPAL BUSINESS

The Group is primarily engaged in the industrialization of construction industry in the PRC, including prefabricated concrete unit manufacturing ("**PC Unit Manufacturing**"), prefabricated concrete equipment manufacturing ("**PC Equipment Manufacturing**") and modular integrated product manufacturing. An analysis of the principal business of the Company for the year ended December 31, 2021 is set out in the section headed "Management Discussion and Analysis" and note 4 to the consolidated financial statements in this annual report.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 17 to the consolidated financial statements of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of comprehensive income as set out on pages 161 to 162 of this annual report.

DIVIDEND POLICY

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

FINAL DIVIDEND

The Board has proposed not to distribute final dividend for the year ended December 31, 2021.

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

TAX REDUCTION OR EXEMPTION

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

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

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

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

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

BUSINESS REVIEW

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

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

FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out on page 11 of this annual report, which does not constitute part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2021, the turnover of the Group's top five customers accounted for 12.9% of the Group's total revenue, while the turnover of the Group's single largest customer accounted for 5.4% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the turnover of the Group's top five suppliers accounted for 15.8% of the Group's total purchase for the year ended December 31, 2021, while the turnover of the Group's single largest supplier accounted for 6.6% of the Group's total purchase.

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

PROPERTY, PLANT AND EQUIPMENT

Details of the changes in property, plant and equipment of the Company and the Group for the year ended December 31, 2021 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the changes in the Company's share capital during the Reporting Period are set out in notes 30 to the consolidated financial statements.

RESERVES

Details of the changes in the reserves of the Company and the Group for the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on page 165.

DISTRIBUTABLE RESERVE

As of December 31, 2021, the Company's distributable reserve was approximately RMB390.90 million (as of December 31, 2020: RMB388.05 million).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and the Group as at December 31, 2021 are set out in notes 25 and 31(b) to the consolidated financial statements.

LIST OF DIRECTORS AND SUPERVISORS

During the Reporting Period and up to the date of this annual report, the list of the Directors and the Supervisors is set out below:

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

Non-executive 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

During the year ended December 31, 2021, none of the Directors or Supervisors resigned from their relevant positions.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 37 to 45 of this annual report. During the Reporting Period and up to the date of this annual report, save as disclosed in this annual report, there was no change in information of Directors, Supervisors or president of the Company subject to disclosure in accordance with Rule 13.51B(1) of the Hong Kong Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation of their independence from each independent non-executive Director in accordance with Rule 3.13 of the Hong Kong Listing Rules, and the Company believes that all independent non-executive Directors are independent parties for the year ended December 31, 2021.

SERVICE CONTRACTS AND ENGAGEMENT LETTERS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each of Ms. Hu Keman and Mr. Zhao Zhengting on May 15, 2020 and with each of the other Directors on October 11, 2019 with the term of office commencing from the date when they are elected as Directors of the second session of the Board at the general meeting of the Company till the expiry of the term of office of the second session of the Board, and are subject to re-election upon expiry of their terms of office. The Company has also entered into a service contract with each Supervisor on October 11, 2019 with the term of office commencing from the date when they are elected as Supervisors at the general meeting or the employee congress (as the case may be) of the Company till the expiry of the term of office of the second session of the Supervisory Committee, and are subject to re-election upon expiry of their terms of office.

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

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

During the year ended December 31, 2021 and up to the date of this annual report, none of the Directors or Supervisors had a material interest, directly or indirectly, in any transactions, arrangements or contracts to which the Company, any of its subsidiaries or fellow subsidiaries is a party and are material to the business of the Group.

MANAGEMENT CONTRACTS

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

MATERIAL CONTRACTS

Save as those disclosed in this annual report, during the Reporting Period, the Company or any of its subsidiaries did not have any material contracts with controlling shareholders or their subsidiaries under Appendix 16 to the Hong Kong Listing Rules, nor did the controlling shareholders or their subsidiaries have any significant contracts to provide services to the Company or its subsidiaries.

REMUNERATION POLICY

The Company has established a Remuneration and Appraisal Committee in accordance with the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules to review the remuneration policy of the Group and the remuneration structure of the Directors and senior management of the Group. The Board determines the remuneration of the Directors, Supervisors and senior management of the Group with reference to the recommendations of the Remuneration and Appraisal Committee after taking into account the Group's operating results, personal performance and comparable market practices.

Details of the remuneration of the Directors, Supervisors and the five highest paid individuals during the Reporting Period are set out in notes 9 and 10 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENTS

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

RETIREMENT AND EMPLOYEE BENEFIT SCHEME

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

2021 MEDIUM AND LONG-TERM INCENTIVE PLAN

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

The incentive targets of the 2021 Medium and Long-Term Incentive Plan include Directors, senior management members of the Company and outstanding key business personnel that the Company considers should be motivated, excluding those who are not eligible to become incentive targets in accordance with the requirements of relevant laws and regulations. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will review and determine the Incentive Targets and determine the number of restricted shares and/or share options to be granted. Under the restricted share incentive plan and the share option incentive plan, the Company will entrust the custodian to purchase a certain number of H Shares in the secondary market to be granted to the incentive targets. (As of December 31, 2021, the Company has entrusted China Credit Trust Co., Ltd. to purchase 2.38 million H Shares in the secondary market).

Under the restricted share incentive plan, the total amount of H Shares to be granted to the incentive targets will not exceed 3 million H Shares. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will identify the incentive targets and implement the grants in 2022, the vesting of which will begin in 2023. The lock-up period of restricted shares shall start from the date on which the restricted shares are granted to the incentive targets till December 31, 2022.

Under the share option incentive plan, the total number of H Share options to be granted to the incentive targets will not exceed 7 million options. The incentive targets have the right to purchase H Shares of the Company at the exercise price of the options during the period from January 1, 2023 to December 31, 2027, subject to the fulfillment of the exercise conditions of share options. The Board or the Remuneration and Appraisal Committee of the Board (as the case may be) will identify the incentive targets and grant share options at the end of 2022. The share options are valid from the date of granting of share options to the incentive targets till December 31, 2027. The lock-up period of share options shall start from the date of granting share options to incentive targets to December 31, 2022.

For details of the 2021 Medium and Long-Term Incentive Plan, please refer to the Company's announcement dated September 28, 2021 and circular dated October 6, 2021. Since details of the 2021 Medium and Long-term Incentive Pan are subject to the approval of the Board or remuneration and appraisal committee of the Board and therefore the Company did not account for the related share based payment in 2021. There were no restricted shares or stock options granted to incentive recipients during the Reporting Period.

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

As of December 31, 2021, the Directors, Supervisors and the chief executives of the Company had the following interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code:

Name of the Directors, Supervisors and the chief executive	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Mr. Zhang Jian	Domestic Shares	Beneficial owner	14,053,540	2.88	7.90	–	Long position
		Interest held by controlled corporations	104,879,820 (Note 2)	21.51	58.98	–	Long position
	H Shares	Beneficial owner	150,000,000	30.76	—	48.42	
		Interest held by spouse	430,200 (Note 3)	0.09	—	0.14	Long position
Ms. Tang Fen	Domestic Shares	Beneficial owner	1,800,000 (Note 4)	0.37	1.01	—	Long position
Ms. Shi Donghong	Domestic Shares	Beneficial owner	1,800,000	0.37	1.01	—	Long position
		Interest held by spouse	6,769,987 (Notes 4 and 5)	1.39	3.81	—	Long position
	H Shares	Interest held by spouse	3,876,000 (Note 6)	0.79	—	1.25	
Mr. Zhang Kexiang	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	—	Long position
Mr. Tan Xinming	Domestic Shares	Beneficial owner	840,000 (Note 4)	0.17	0.47	–	Long position
Mr. Zhang Quanxun	Domestic Shares	Interest held by controlled corporations	25,404,000 (Note 7)	5.21	14.29	–	Long position

Notes:

(1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(2) Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司) ("**Broad Lingmu**") directly holds 69,143,820 Domestic Shares and indirectly holds 17,136,000 Domestic Shares, Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)* (長沙高新開發區大鑫投資管理合夥企業(有限合夥)) ("**Daxin Investment**") directly holds 18,600,000 Domestic Shares, Hunan Dazheng Investment Co., Ltd.* (湖南大正投資股份有限公司) ("**Dazheng Investment**") directly holds 12,000,000 Domestic Shares, and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業(有限合夥)) ("**Fuyang Shangjiu**") directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Mr. Zhang Jian. Mr. Zhang Jian is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Mr. Zhang Jian directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.

(3) Ms. Liu Hui (柳慧女士), the spouse of Mr. Zhang Jian, directly holds 430,200 H Shares. Therefore, Mr. Zhang Jian is deemed to be interested in 430,200 H Shares for the purpose of Part XV of the SFO.

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

(5) Mr. Zhou Bin (周斌先生), the spouse of Ms. Shi Donghong, directly holds 6,769,987 Domestic Shares. Therefore, Ms. Shi Donghong is deemed to be interested in 6,769,987 Domestic Shares for the purpose of Part XV of the SFO.

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

(7) Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業(有限合夥)) ("**Yuanzhi Fuhai**") directly holds 25,404,000 Domestic Shares. The general partner of Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by the Shenzhen SASAC and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業(有限合夥)) which is ultimately controlled by Mr. Zhang Quanxun and Mr. Zhao Hui (趙輝先生). Therefore, Mr. Zhang Quanxun is deemed to be interested in such Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.

Save as those disclosed above, as of December 31, 2021, none of the Directors, Supervisors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (as defined under Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required to be notified to the Company and the Hong Kong Stock Exchange according to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2021, as far as the Directors are aware, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Broad Lingmu	Domestic Shares	Beneficial owner	69,143,820	14.18	38.88	–	Long position
		Interest held by controlled corporations	17,136,000 (Note 3)	3.51	9.64	–	Long position
Daxin Investment	Domestic Shares	Trustee	18,600,000 (Note 4)	0.38	10.46	–	Long position
Yuanzhi Fuhai	Domestic Shares	Trustee	25,404,000 (Note 5)	5.21	14.29	–	Long position
Hunan Caixin Fund	Domestic Shares	Interest held by controlled corporations	10,000,000 (Note 6)	2.05	5.62	–	Long position
Cassini Partners, L.P	H Shares	Beneficial owner	7,939,418 (Note 7)	1.63	–	2.56	Long position
Massachusetts Institute of Technology	H Shares	Interest held by controlled corporations	7,939,418 (Note 7)	1.63	–	2.56	Long position
UBS Group AG	H Shares	Interest held by controlled corporations	37,225,999 (Note 8)	7.63	–	12.02	Long position

Name of substantial Shareholder	Class of Shares	Nature of interest	Number of Shares held	Approximate percentage of the total issued Shares of the Company %	Approximate percentage of the total issued Domestic Shares of the Company %	Approximate percentage of the total issued H Shares of the Company %	Long position/ Short position/ Lending pool
Franchise Fund LP	H Shares	Beneficial owner	37,245,900	7.64	–	12.02	Long position
OceanLink Partners Fund, LP	H Shares	Beneficial owner	12,200,782	2.50	–	3.94	Long position
Li Richard	H Shares	Interest held by controlled corporations	20,140,200 (Note 9)	4.13	–	6.50	Long position
OLP Capital Management Limited	H Shares	Investment manager	20,140,200 (Note 9)	4.13	–	6.50	Long position
RCWL Inc.	H Shares	Interest held by controlled corporations	20,140,200 (Note 9)	4.13	–	6.50	Long position
SHEN Di Fan	H Shares	Interest held by controlled corporations	20,140,200 (Note 10)	4.13	–	6.50	Long position

Notes:

(1) The above disclosure is primarily based on the information published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(2) According to section 336 of the SFO, the Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the Shareholder's shareholding in the Company changes, unless certain criteria are fulfilled, the Shareholder need not notify the Company and the Hong Kong Stock Exchange. Therefore, the latest shareholder's shareholding in the Company may be different from that filed with the Hong Kong Stock Exchange.

(3) Broad Lingmu directly holds 69,143,820 Domestic Shares (including 1,719,660 Domestic Shares of the Company received pursuant to the equity transfer agreement dated September 14, 2021, and such share transfer and closing were completed on January 6, 2022), 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 directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Mr. Zhang Jian indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Mr. Zhang Jian is deemed to be interested in the Domestic Shares held by Broad Lingmu, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.

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

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

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

(7) According to the interest disclosure form filed by Massachusetts Institute of Technology on January 11, 2021, Massachusetts Institute of Technology holds 96.80% equity interests of Cassini Partners, L.P. According to the interest disclosure forms filed by LI Richard, OLP Capital Management Limited, RCWL Inc. and SHEN Di Fan on December 25, 2021, Cassini Partners, L.P. directly holds 7,939,418 H Shares. Therefore, Massachusetts Institute of Technology is deemed to be interested in the 7,939,418 H Shares held by Cassini Partners, L.P, for the purpose of the SFO.

(8) UBS AG directly holds 37,163,900 H Shares, UBS Switzerland AG directly holds 32,399 H Shares, and UBS Asset Management Switzerland AG directly holds 29,700 H Shares. UBS Group AG holds 100% equity interests in UBS AG, UBS Switzerland AG and UBS Asset Management Switzerland AG. Therefore, UBS Group AG is deemed to be interested in the 37,163,900 H Shares held by UBS AG, 32,399 H Shares held by UBS Switzerland AG and 29,700 H Shares held by UBS Asset Management Switzerland AG, for the purpose of the SFO.

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

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

Save as those disclosed above, as at December 31, 2021, as far as the Directors are aware, no other persons (other than the Directors, the Supervisors and chief executive of the Company) had interests and/or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

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

H SHARE FULL CIRCULATION

On May 26, 2021, the Company received the official acceptance letter from the China Securities Regulatory Commission (the "**CSRC**") for acceptance of the Company's application regarding the implementation of the H share full circulation. Under the application, the Company has applied for the conversion of not more than 187,779,000 unlisted domestic shares of the Company into H shares and the listing thereof on the Hong Kong Stock Exchange.

On August 4, 2021, the Company received the formal approval from the CSRC for its application. Under the approval, the Company was approved to convert up to 187,779,000 unlisted domestic shares into H shares and the listing thereof. The official approval shall be valid for 12 months from July 28, 2021.

On August 27, 2021, the Company received the approval from the Hong Kong Stock Exchange on the listing of and the permission to deal in 187,779,000 H shares, representing the maximum number of unlisted domestic shares of the Company to be converted under the conversion.

On September 24, 2021, the Company completed the conversion of 187,779,000 unlisted domestic shares into H shares, and the converted H shares have commenced listing on the Stock Exchange at 9:00 a.m. on September 27, 2021.

For details of the H share full circulation plan of the Company, please refer to the Company's announcements dated May 26, 2021, August 4, 2021, August 30, 2021 and September 24, 2021.

PRE-EMPTIVE RIGHTS

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

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Company did not have any non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. The related-party transactions described in note 33 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations and other donations of RMB430,000 (2020: RMB1,171,860).

COMPLIANCE WITH LAWS AND REGULATIONS

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

The Group has implemented internal control and risk management to ensure compliance with such laws and regulations. For the year ended December 31, 2021, to the best knowledge of the Board, the Group did not violate any relevant laws and regulations which had a significant impact on the Group's development, performance and business.

MATERIAL LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Group were not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there was no material legal proceeding or claim which is pending or threatening against the Group.

PERMITTED INDEMNITY PROVISIONS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with Rule 3.21 of the Hong Kong Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules. The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2021 together with the management and the Company's external auditors.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance practices. Details of the corporate governance practices adopted by the Group are set out in the Corporate Governance Report on pages 66 to 88 of this annual report.

PUBLIC FLOAT

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

Report of the Board

AUDITOR

KPMG was appointed as the auditor of the Company for the year ended December 31, 2021. KPMG has audited the financial statements prepared in accordance with IFRSs as of December 31, 2021 and issued an unqualified audit report thereon.

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

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

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

Changsha • Hunan
March 30, 2022

Report of the Supervisory Committee

Dear Shareholders:

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

I. WORK CARRIED OUT BY THE SUPERVISORY COMMITTEE

1. Meetings Convened

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

(i) On February 26, 2021, the eighth meeting of the second session of the Supervisory Committee was convened by means of on-site voting, at which the 2020 Annual Report and Results Announcement (《2020年度報告及業績公告》), the Work Report of the Supervisory Committee for 2020 (《2020年度監事會工作報告》), the 2020 Financial Statements (《2020年度財務報表》), the 2020 Financial Report (《2020年度財務決算報告》), the 2021 Financial Budget Report (《2021年度財務預算報告》), the Proposal in Relation to Profit Distribution of the Company for 2020 (《關於公司2020年度利潤分配的議案》) and the Proposal in Relation to Appointment of Auditor for 2021 (《關於聘請2021年度審計機構的議案》) were considered and approved and filed into resolutions.

(ii) On August 27, 2021, the ninth meeting of the second session of the Supervisory Committee was convened by means of on-site voting, at which the Proposal in Relation to the 2021 Interim Report and the Interim Results Announcement of the Company (《關於公司2021年中期報告及中期業績公告的議案》) was considered and approved and filed into resolution.

(iii) On September 28, 2021, the tenth meeting of the second session of the Supervisory Committee was convened by means of on-site voting, at which the Proposal in Relation to the 2021 Medium and Long-Term Incentive Plan (《關於2021年中長期激勵計劃的議案》) was considered and approved and filed into resolution.

2. Discharging of Responsibilities

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

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

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

In 2021, in line with the requirements of the Company Law and other laws and regulations, and the Articles of Association and other relevant regulatory provisions, the Supervisory Committee exercised supervision over the convening procedures of the general meetings and the Board meetings, the resolutions passed thereon, the Board's implementation of the resolutions passed by the general meetings and the performance of duties by the senior management.

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

2. Opinions with Respect to the Finance of the Company

The Supervisory Committee carefully considered the financial report of the Company for 2021 and accompanying information prepared in accordance with the IFRSs and audited by the independent auditors of the Company with unqualified opinions. The Supervisory Committee is of the opinion that, the financial report of the Company for 2021 gave an objective and true view of the Company's financial position and operating results.

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

Changsha Broad Homes Industrial Group Co., Ltd.
Zhang Mingxin
Chairman of the Supervisory Committee

Changsha • Hunan
March 30, 2022

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report as set out in the annual report of the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules as its own corporate governance standards. The Directors are of the opinion that, during the Reporting Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code. The Company will continue to review and supervise over its corporate governance practice to ensure compliance with the Corporate Governance Code.

CORPORATE CULTURE

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

BOARD

Overview

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

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

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

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

Board composition

The Board currently comprises 11 Directors, including five executive Directors, two non-executive Directors and four independent non-executive Directors. Details are as follows:

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

Non-Executive 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

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

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

Corporate Governance Report

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

According to materials provided by the Directors, during the year ended December 31, 2021, the Directors received the following trainings:

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

Notes:

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by code provision A.2.1 (which has been re-numbered as code provision C.2.1 since January 1, 2022) of the Corporate Governance Code, the roles of chairman of the board of directors and chief executive officer should be separate and performed by different individuals.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

The Company entered into a service contract with each of Ms. Hu Keman and Mr. Zhao Zhengting on May 15, 2020 and with each of the other Directors on October 11, 2019, with a term of office starting from the date on which they were appointed as Directors to the second session of the Board by the general meeting and terminating upon expiry of the term of the second session of the Board. They shall be eligible for re-election and re-appointment upon expiry of their terms.

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

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

As the term of the second session of the Board of the Company is about to expire, a new session of the Board is required to be elected to form the third session of the Board of the Company in accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company. On March 30, 2022, the Board has considered and passed the resolution in relation to the proposed appointment of Directors of the third session of the Board of the Company and agreed to nominate Mr. Zhang Jian, Ms. Tang Fen, Mr. Hu Shengli, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as candidates for executive Director of the third session of the Board, Mr. Zhang Quanxun as candidate for non-executive Director of the third session of the Board, and Mr. Chen Gongrong, Mr. Li Zhengnong, Mr. Wong Kai Yan Thomas and Mr. Zhao Zhengting as candidates for independent non-executive Director of the third session of the Board, and agreed to separately submit the same to the annual general meeting for consideration and approval by way of ordinary resolution. For details of the resolution in relation to the proposed appointment of Directors of the third session of the Board of the Company, please refer to the announcement dated March 30, 2022 and the circular dated March 31, 2022 of the Company .

BOARD MEETINGS

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

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

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

During the Reporting Period, the Board convened 13 Board meetings and two general meetings. The table below sets out the attendance of each Director at the Board meetings and general meetings:

Director	Number of actual attendance at Board meetings/Number of required attendance at Board meetings	Number of actual attendance at general meetings/Number of required attendance at general meetings
Mr. Zhang Jian	13/13	2/2
Ms. Tang Fen	13/13	2/2
Ms. Shi Donghong	13/13	2/2
Mr. Zhang Kexiang	13/13	2/2
Mr. Tan Xinming	13/13	2/2
Mr. Zhang Quanxun	13/13	2/2
Ms. Hu Keman	13/13	2/2
Mr. Chen Gongrong	13/13	2/2
Mr. Li Zhengnong	13/13	2/2
Mr. Wong Kai Yan Thomas	13/13	2/2
Mr. Zhao Zhengting	13/13	2/2

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Hong Kong Listing Rules as its own code of conduct regarding securities transactions by Directors. Upon specific enquiry to all Directors and Supervisors, they confirmed that they have complied with the code of conduct as set out in the Model Code during the year ended December 31, 2021.

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

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

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

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

SPECIAL COMMITTEES UNDER THE BOARD

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

AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

1. The 2020 annual report and results announcement; the 2020 financial statements; the 2020 financial report; the 2021 financial budget report; the proposal in relation to profit distribution of the Company for 2020; the proposal in relation to appointment of auditor for 2021; and the proposal on the 2020 work report of the Nomination Committee of the Board of the Company.

2. The proposal in relation to the 2021 interim report and interim results announcement of the Company.

The Audit Committee has reviewed the annual results of the Company for the year ended December 31, 2021.

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

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

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

During the Reporting Period, the Nomination Committee convened one meeting for the purpose of discussing and considering the followings: the proposal on the 2020 work report of the Nomination Committee of the Board of the Company.

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

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

NOMINATION POLICY OF THE DIRECTORS

The Company has formulated the procedure for nomination of candidates of Directors by the Shareholders. In accordance with the relevant requirements in Article 104 of the Articles of Association, a shareholder independently or shareholders collectively holding at least 3 percent of the total outstanding voting shares of the Company may propose to the general meeting candidates for the position of the Director who is not an employee representative in the form of a written proposal, provided that the number of persons nominated complies with the Articles of Association and does not exceed the number of persons to be elected. The Shareholder(s) shall submit the aforesaid proposal to the Company at least 14 days before the date the general meeting is to be held.

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

BOARD DIVERSITY POLICY

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

The Nomination Committee is mainly responsible for identifying persons with appropriate qualifications to serve as directors taking full consideration of the board diversity policy in the selection process. The appointment of all members of the Board will give due regard to the benefits of the board diversity policy and will be based on the merits of each candidate and objective criteria.

Currently, the Nomination Committee considers the Board of the Company to be sufficiently diverse with 3 female members out of 11 members. In addition, the Company aims to continue maintain the proportion of female members on the Board at over 20% over the next three years in order to achieve ongoing Board diversity.

In addition, as of December 31, 2021, the percentage of female members in all employees (including senior management) of the Company was 23%. The Company will take measures to promote gender diversity among all employees (including senior management) and will strive to achieve a 25% proportion of female members in all employees (including senior management) within the next three years in accordance with our internal talent management policy. The Company plans to identify and select a number of female talents with different skills, experience and knowledge in different sectors to join the Company and provide a full range of trainings to female employees who we believe have the appropriate experience, skills and knowledge in operations and business, and such trainings include but are not limited to business operations, management, accounting and finance, legal compliance, and research and development.

REMUNERATION AND APPRAISAL COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

1. The proposal in relation to remuneration of Directors and Supervisors of the Company in 2020; and the proposal on the 2020 work report of the Remuneration and Appraisal Committee of the Board of the Company.

2. The proposal in relation to the 2021 medium and long-term incentive plan.

3. The proposal on entrusting China Credit Trust to purchase shares for share incentive.

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

Name of Director	Actual attendance/Required attendance
Mr. Li Zhengnong	3/3
Mr. Zhang Jian	3/3
Mr. Chen Gongrong	3/3

STRATEGY COMMITTEE

The Strategy Committee comprises three members, namely Mr. Zhang Jian (chairman), an executive Director, Ms. Tang Fen, an executive Director and Ms. Shi Donghong, an executive Director.

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

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

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

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

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

5. To supervise the implementation of the above matters;

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

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

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

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

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

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

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

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

1. The proposal on the 2020 work report of the Strategy Committee of the Board of the Company.

2. The proposal on withdrawal of application for initial public offering of the Company's A shares and listing on the ChiNext.

3. The proposal on change of use of certain proceeds from H share offering.

4. The proposal on change of use of certain proceeds from H share offering.

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

Name of Director	Actual attendance/Required attendance
Mr. Zhang Jian	4/4
Ms. Tang Fen	4/4
Ms. Shi Donghong	4/4

REMUNERATION OF THE DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT

For the year ended December 31, 2021, the remuneration of the Directors, Supervisors and the senior management of the Company falls within the following bands:

Bands (RMB)	Number of individuals
0-100,000	5
100,001-500,000	6
500,001-1,000,000	3
1,000,001-1,500,000	1
1,500,001-2,000,000	0
2,000,001-2,500,000	0
2,500,001-3,000,000	0
3,000,001-3,500,000	0
3,500,001-4,000,000	0
4,000,001-4,500,000	0

For details of remuneration of the Directors and five highest paid individuals for the year ended December 31, 2021, please refer to notes 9 and 10 to the consolidated financial statements contained in this annual report.

DIRECTORS' FINANCIAL REPORTING RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended December 31, 2021, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report from page 159 to 160 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

Overview

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

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

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

Procedures and major characteristics of internal control and risk management

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

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

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

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

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

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

RISKS IN OPERATION

1. Risks in relation to macro-economic fluctuation

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

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

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

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

3. Risks in relation to intensified market competition

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

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

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

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

5. Risks in relation to seasonal fluctuations in the industry

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

6. Risks in relation to business activities affected by the COVID-19 pandemic

As the Company's PC units, PC equipment and construction contracting business involves transportation and delivery, provision of installation and training services, construction and other business activities that need to be carried out on site, and personnel gathering and flow is limited amid the COVID-19 epidemic, project installation, commissioning and personnel training are difficult to advance smoothly, which would compromise the completion of field work, and may further affect the project schedule. In the future, if the pandemic rebounds or the government strengthens the management and control over business activities to control the pandemic, the Company's production and operation may be adversely affected to certain extent.

MAJOR MEASURES OF INTERNAL CONTROL AND RISK MANAGEMENT

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

- The Company has established a Risk Control Administration Centre to be responsible for the overall internal control, corporate governance and legal compliance of the Group.

- The Risk Control Administration Centre is responsible for promulgating and revising internal control policies, measures and procedures to ensure that the Company maintains sound and effective internal control and complies with applicable laws and regulations. It also oversees the implementation of internal control policies, measures and procedures and conducts regular compliance reviews of the business process at different stages.

- The Risk Control Administration Centre organizes monthly/annual internal control self-examination of each business department of the Company, and provides the internal control self-assessment report containing its risks and improvement suggestions to the heads of relevant business departments.

- The person-in-charge of each business department is responsible for implementing relevant internal control policies, measures and procedures and regularly checking the implementation of relevant policies, measures and procedures.

- The Company has implemented relevant internal control policies, measures and procedures at the product development or production stage in each business department, provided trainings for relevant employees on such policies, measures and procedures and solved their problems, submitted suggestions and proposed amendments to relevant policies, measures and procedures to the Risk Control Administration Centre, and conducted regular inspections on the implementation of relevant policies, measures and procedures.

- The Company has adopted a number of measures and procedures in various areas of our business operations (such as project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety). We provide employees with regular trainings on such measures and procedures.

- The Risk Control Administration Centre has established a complaint reporting mechanism for our Directors, senior management, employees, customers and other business partners, and has conducted independent and fair investigations on reported complaints for the purpose of appropriate follow-up. Leveraging such mechanism, our employees can report their complaints and problems. The Risk Control Administration Centre evaluates the effectiveness and potential vulnerabilities of the Company's internal control system based on the complaints received, so as to improve our internal control policies, measures and procedures accordingly.

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

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

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

For the year ended December 31, 2021, upon review, the Board considered that the Group's risk management and internal control systems (including financial, operational and compliance controls) were effective and adequate. The review also covered financial reports and employee qualifications, experience and related resources.

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

AUDITOR'S REMUNERATION

The approximate remuneration of the auditor for the audit services (relating to annual audit and the reporting accountant's remuneration incurred for the suspended initial public offering of A Shares) and non-audit services (relating to preparation of the environmental, social and governance report) provided to the Company during the year ended December 31, 2021 is set out below:

Type of service	Amount (RMB)
Audit services	9,510,000
Non-audit services	150,000
Total	9,660,000

JOINT COMPANY SECRETARIES

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

Ms. Leung Suet Wing resigned as a joint company secretary of the Company on July 27, 2021 due to other work arrangement and Mr. Lee Kwok Fai Kenneth was appointed as a joint company secretary of the Company on July 27, 2021; Mr. Lee Kwok Fai Kenneth resigned as a joint company secretary of the Company on December 17, 2021 due to other work arrangement. In order to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. Ng Ka Man ("**Ms. Ng**") from TMF Hong Kong Limited as another joint company secretary of the Company to assist Ms. Shi to discharge her duties as company secretary of the Company, with effect from December 17, 2021. Ms. Leung's primary contact person in the Company is Mr. Huang Fengchun.

The Company confirmed that Ms. Shi and Ms. Ng had undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Hong Kong Listing Rules for the year ended December 31, 2021.

RELATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

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

SHAREHOLDERS' RIGHTS

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

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

1. Convening extraordinary general meetings and Shareholders' class meetings

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

Shareholders requesting the convening of a Shareholders' class meeting shall do so by the procedures set forth below:

(I) two or more Shareholders holding in aggregate at least 10 percent of the Shares carrying the voting rights at the meeting to be held may sign one or more written requests of identical form and content requesting that the Board convenes a class Shareholders' meeting and stating the topics to be discussed at the meeting. The Board shall convene the class Shareholders' meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.

(II) if the Board fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the Shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedures for the Shareholders to convene such meeting shall, to the extent possible, be identical to the procedures for the Board to convene the Shareholders' meetings.

2. Enquiries to the Board

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

3. Procedures for submitting proposals at general meetings

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

DIVIDEND POLICY

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company made amendments and restatement to the Articles of Association in accordance with the Hong Kong Listing Rules on the Listing Date, which was effective and published on the websites of the Hong Kong Stock Exchange and the Company on November 6, 2019. The Company exercised partial Over-allotment Option of 167,400 H shares on November 28, 2019, which were allotted and issued on December 3, 2019 and updated the relevant articles of the Articles of Association accordingly. The amended Articles of Association have been published on the websites of the Hong Kong Stock Exchange and the Company on December 3, 2019. The Company convened an annual general meeting on May 15, 2020 to make amendments to the Articles of Association and the amended Articles of Association were published on the websites of the Hong Kong Stock Exchange and the Company on the same date. On July 8, 2020, the Company held an extraordinary general meeting and class meetings to formulate the Articles of Association to be applicable upon the completion of the proposed A share offering and listing, and the amended Articles of Association will be effective from the date of completion of the proposed A share offering and listing. On March 16, 2021, the Company decided to withdraw the application materials for the proposed A share offering and therefore, the Articles of Association amended on July 8, 2020 have not yet become effective.

Environmental, Social and Governance Report

INTRODUCTION OF THE REPORT

This is the third Environmental, Social and Governance Report (the "**ESG Report**") published by Changsha Broad Homes Industrial Group Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which is intended to present the Group's performance in fulfilling its environmental and social responsibility practices in 2021, including ESG issues that are of key concern to stakeholders.

BASIS OF PREPARATION

This report was prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Hong Kong Listing Rules.

RELEASE CYCLE

This report is prepared annually and covers the period from January 1, 2021 to December 31, 2021. This is the third ESG Report of the Group and the one for the next reporting period (2022) is expected to be released in 2023. Certain information contained herein is a brief review of past activities.

REPORTING SCOPE

The reporting entities are Changsha Broad Homes Industrial Group Co., Ltd. and its subsidiaries. Unless otherwise specified, the information in respect of their policies, social responsibilities and environmental protection efforts cover all the businesses of the Group.

REPORTING PRINCIPLE

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

Quantitative: In accordance with the "key performance indicators" of the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange, the Group made quantitative disclosures of key performance indicators with historical data in the "environmental" and "social" categories and, where possible, quantitative disclosures of forward-looking information such as targets, and will make full disclosure in the future after the statistical process is gradually optimized.

Balance: This report strives to achieve objective, fair and truthful disclosure and reflection of the Group's achievements and practices in the environment and social fields in 2021, and also the problems encountered and improvement measures with a sense of responsibility.

Consistency: We follow a consistent approach for disclosure statistics and maintain the same disclosure statistics for this report in respect of information previously disclosed in the report for last year. For information disclosed for the first time, we will adopt a consistent approach for ESG information disclosure in subsequent years to facilitate meaningful comparisons from year to year.

Environmental, Social and Governance Report

SOURCE

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

AVAILABILITY

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

REPRESENTATIONS

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

1. CHAIRMAN'S ADDRESS

In 2021, amid the uncertainties and ups and downs brought about by the shocks of the pandemic, we believed in persistence, seized opportunities, actively integrated into the new development pattern, resonated with the times and national strategies, and promoted the high-quality development of urban and rural construction.

Since 1996, Broad Homes has been exploring construction industrialization, and has iterated 8 generations of product technology with focus on "high efficiency, high quality, low consumption and low emission", and established its presence in many cities. Through continuous attention and relentless exploration, we promoted the further improvement of urban functions and the living environment of general public with a diversified construction product portfolio. The integrated building products of Broad Homes are highly industrialized, with better cost advantage, shorter construction period, better quality and green and low-carbon features, which can be extended to basements and other sectors to facilitate high-quality development of urban and rural construction, including rapid upgrading from old buildings into new spaces, enhancing urban potential with industrial upgrading and promoting urban renewal through green and low-carbon development.

As the pioneer and forerunner of green construction in China, we upheld the corporate values of "non-speculation, professionalism and dedication", strengthened our product strength and continued to enrich our diversified product portfolio. Our core products, represented by Broad Homes Mofang, were unveiled in March with projects implemented and delivered in 16 provinces as of the end of 2021. In addition, we have launched nucleic acid testing cabins, pandemic prevention and control stations and blood donation booths for urban medical scenarios based on the needs of pandemic prevention and control, which created space and saved times for pandemic prevention and control with its standardized, fast set-up and movable features.

Environmental, Social and Governance Report

Housing is an eternal need of mankind. From "meeting the housing demand for all" to "providing high-quality housing products" and from the construction of subsidized rental housing to the construction of beautiful villages, we have witnessed the vitality of urban and rural construction and the value of perseverance. In particular, Broad Homes was awarded as the "Environmental Social Responsibility Enterprise of the Year 2021" by the China Environment News and the "Most Socially Responsible Listed Company under the 2021 Golden Unicorn Best Hong Kong and US Listed Companies Awards". We continued to upgrade our products and services, made steady progress in production and operation, and has been consecutively ranked as the No. 1 of the Most Preferred Strategic Supplier of Integrity in China's Real Estate Industry Chain – Prefabricated Building Structure (PC) and won the "Better Life Contribution Enterprise Award" granted by Leju Finance for three consecutive years.

We actively integrated the ESG concept into the sustainability of our business operations. In 2021, in terms of talent management, we continued to improve our recruitment and talent acquisition system to achieve equal employment and recruit a wide range of talented people, thereby enhancing our core competitiveness in the industry. For innovation management, we strived for excellence, reduced costs and enhanced efficiency, promoted CI improvement, solved problems in equipment and processes, and achieved a number of patents. For customer management, we strengthened cooperation with famous real estate companies, returned to focus on product quality, people's livelihood and residential properties, and explored the possibility of multi-disciplinary cooperation. In terms of environmental management, in addition to promoting green and low-carbon operation for our own business, we also considered the life cycle of our products from the users' point of view. Meanwhile, we also actively explored strategic transformation and developed B2C business model, built and improved PC-CPS platform, turned data into production elements, reduced operational costs, improved operational efficiency, and provided customers with better services and better experience in terms of quality, efficiency and cost.

With firm belief and confidence, we can bravely embark on the long journey ahead. Looking back on the past, we are grateful to all our stakeholders, including employees, suppliers and customers, for your hard work, strong support and smooth communication of needs, which have enabled us to innovate in this age-old industry, from materials to production methods, and from application scenarios to business models, allowing us to expand from Changsha, Hunan to the major economic regions of China, including the Beijing-Tianjin-Hebei region, the Yangtze River Delta region, the Pearl River Delta region and other core metropolitan areas in central and western China.

Looking ahead, despite the multiple pressures from global economic fluctuations, recurring pandemic and market competition, we always believe that construction technology will promote urban renewal and empower rural revitalisation, and continue to cultivate the integrated solutions for construction industrialization in China, focus on the well-being of general public, and adapt to local conditions, integrate innovation, improve efficiency and enhance quality. We would like to join hands with you to forge ahead by following the development trend and achieve sustainable development in the future by jointly constructing green and low-carbon buildings.

Tang Fen
President

March 30, 2022

2. BOARD STATEMENT

The Board of Broad Homes assumes full responsibility for the Group's environmental, social and governance strategy and reporting, and is responsible for assessing and determining the Group's risks related to environmental, social and governance, and ensuring that Broad Homes has appropriate and effective environmental, social and governance risk management and internal control systems in place.

Broad Home's business development opportunities are derived from the society's demand for green, low-carbon and sustainable buildings. As such, we pay extra attention to the sustainable development of the Company and have established a sound ESG governance system, with the Board leading and participating in the deliberation and decision-making of major ESG matters, including identifying and assessing ESG risks, formulating ESG strategies and guidelines, establishing management policies and plans, approving and reviewing ESG target management, and approving each annual ESG report and other management matters.

Based on the external environment and the Group's development strategy, the Group conducted research on internal and external stakeholders during the Reporting Period and identified key ESG issues to specify the focus of its work, including: employee rights and interests, safety and health, green building opportunities, product quality and safety, and innovation management, etc. The Group reviewed the above issues and improved its performance in its daily operation, and managed its targets accordingly. In the future, we will continue to adjust our sustainability management strategies and promotion methods in line with stakeholders' expectations and the Group's actual operating situation, thereby continuously improving the level of sustainable development.

This report discloses in detail the progress and effectiveness of Broad Homes's ESG work in 2021. The Board of the Group, as the ultimate body responsible for and making decisions on ESG matters, ensures that the contents of this report do not contain any false information, misleading statements or material omissions, and accepts full responsibility for the truthfulness, accuracy and completeness of its contents.

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE OVERVIEW

ESG Strategy of the Group

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

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

ESG Governance Structure of the Group

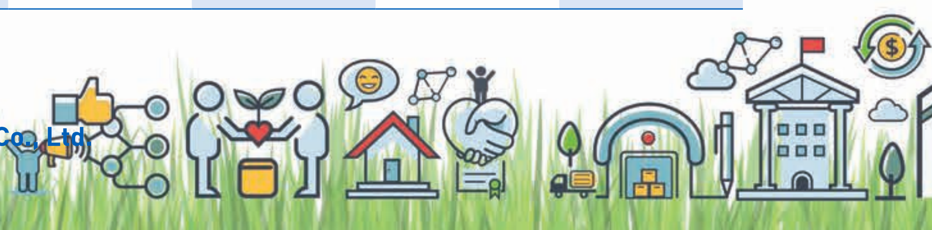
The Group has established a top-down ESG governance structure, where the Board is responsible for supervising the environmental and social aspects of the Group. In particular, In particular, the Strategy Committee is the main committee responsible for conducting research on sustainable development strategies, monitoring the formulation and implementation of annual ESG policies, identifying, assessing and managing key ESG issues and risks and opportunities related to green, safe and sustainable development, approving and reviewing ESG management objectives, and approving the publication of reports, in order to support the Board in performing its ESG governance functions.

We also established an ESG working team, which is led by high-ranking managerial personnel and includes intermediate level managers. The working team consists of core representatives from all regular management divisions of the Group, including the Board Office, Human Resources Institute, Administration Centre, Design and Craft Department, Operations Management Department, Brand Strategy Department, Product Department, Market and Service and Human Finance Department, covering all relevant departments in daily management process of the Group. The working team reports to the Board on a regular basis for recommendations and advice and is responsible for communicating and implementing the strategies, measures and feedback of the Group on issues related to ESG, which is an indispensable execution party for the sustainable development of the Group. In addition, all affiliated factories of the Group have appointed their representatives to conduct cultural promotion and information reporting on ESG issues.

Stakeholder Engagement

The Group's ESG stakeholders mainly include the employees, suppliers, customers, shareholders, investors, government, and the communities where the Group operates. The Group believes that listening to and understanding the opinions of stakeholders will provide a solid foundation for the long-term development of the Group. In this regard, the Group actively explores various channels to maintain good communication with stakeholders, to enhance the stakeholders' understanding of the development and operational policies, and to provide more opportunities for them to put forward suggestions so that the Group can provide them with timely and effective feedback regarding their concerns. In this way, the Group ensures that it is cooperating and working alongside stakeholders to achieve mutual benefits.

Stakeholders	Government	Shareholders	Employees	Customers	Suppliers	Community
Target & Focus	• Respond to state policies • Operate according to laws and regulations • Pay taxes in accordance with applicable tax laws • Promote employment	• Business strategy & financial performance • Protect shareholder's legal rights • Business sustainability • Corporate transparency	• Payment and welfare • Guarantee of rights and interests • Career development • Safety and health • Corporate culture	• Product quality • Privacy protection • Customized services • Prefabrication consulting services	• Abide by commercial ethics and state laws and rules • Be transparent and fair • Fulfill commitments, achieve mutual benefits and enable win-win cooperation	• Encourage community engagement • Participate in public welfare activities • Promote the community's development
Method of communication and exchange	• Participate in discussion for formulation of relevant policies and industry standards • Contribute corporate experience • Guide and influence public policies actively • Engage in dialogue with the local government	• Enhance information disclosures • Board meeting, shareholders' meeting and investors' meeting • Direct communication among shareholders	• Employee representative in the supervisory committee • Labor union • Employee representative conference • Employee survey and provision of timely feedback • Enhance information disclosure	• Communicate during the service offering process • Customer survey and feedback • Complaint hotline • Enhance information disclosures	• Announce the supplier management rules • Contract negotiation • Daily business exchange • Enhance information disclosures	• Exchange ideas with local government and organization • Actively participate in public welfare activities • Enhance information disclosure
Key actions	• Implement state policies, abide by state laws and regulations • Accept supervision and check-ups • Create more posts to boost the employment rate • Participate in affordable housing construction projects • Declare taxes in a timely manner	• Convene shareholder meetings regularly • Convene meetings of the board of directors regularly • Convene meetings with investors • Disclose statutory issues in a timely manner	• Enhance training for employees in respect of culture and technical skills • Improve employees living and working environment • Guarantee employees' rights and benefits, upgrade their welfare level • Health and safety guarantees for employees • Establish a labor union	• Standardize production • Improve return and exchange and quality control system • Conduct regular customer satisfaction surveys • Respond to customer complaints and provide them with feedback in a timely manner • Earnestly protect customer privacy	• Set up an open and transparent bid invitation system • Set up a communication platform for suppliers • Perfect the supplier selection system • Offer equal opportunities to suppliers	• Encourage good deeds • Be passionate about public welfare, and contribute to society • Conduct blood donation and volunteer activities for employees
Key performance indicators	• Affordable housing construction • Number of persons employed	• Stock value, dividend returns • Stock market value	• Employee training • Remuneration and welfare system	• Customer satisfaction • Product pass rate • Customer privacy solutions	• Contract performance rate • Assessment of suppliers	• Examples of good deeds • Investments in social welfare causes • Employee volunteer activities



Materiality Assessment

We attach importance to the identification and management of ESG issues and collect stakeholders' views and feedback through activities such as interviews and research in order to identify important ESG issues and make targeted disclosures in our reports so as to effectively improve the Company's sustainability management. In 2021, we invited internal stakeholders, including members of management and staff from all departments, to rate the ESG issues in our issue database by means of questionnaires, thereby forming the materiality matrix for this report. The matrix presents the materiality of the issues in three tiers: very important, important and relevant.

Procedures for Assessment of Material Issues in Broad Homes' 2021 ESG Report

01 ESG issues identification and determination

- Comprehensively review the key aspects of the Group's sustainable development work and feedback from stakeholders, benchmark with industry trends and leading practices, delineate the scope of topics and identify key issues;
- Identify the focus, objectives and potential risks related to sustainable development of the industry where we operate with reference to relevant assessment factors such as ESG ratings in the capital markets and taking into account relevant guidelines and targets for sustainable development disclosure in China and overseas.

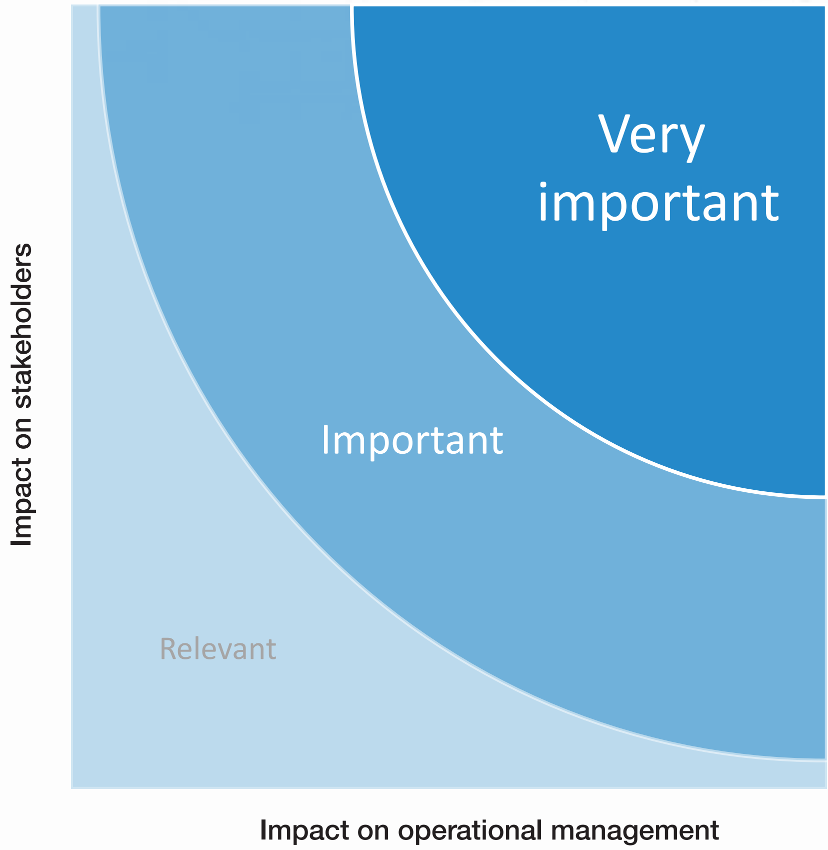
02 Stakeholder communication and research

- Prepare an online questionnaire to assess the materiality of ESG issues, invite internal stakeholders to rate the materiality of relevant ESG issues, and collate and analyse the final results of the survey and the overall rating of internal shareholders' satisfaction with the Group's sustainable development, achieving a score of 4.53 out of 5.00.

03 Material issues assessment

- Assess the materiality of each ESG issue based on the results of the stakeholder questionnaire and the Company's development status in two aspects of "importance to stakeholders" and "importance to operational management", and rank the materiality of ESG issues based on their respective scores and form a matrix after the relevant results have been reviewed by external experts.

Materiality Matrix of Material Issues for Stakeholders of Broad Homes



List of Material Issues for the 2021 ESG Report of Broad Homes			
Very important			
01 Corporate governance	02 ESG management	03 Risk and cris management	04 Policy impact
13 Green building opportunities	16 Diversity and equal opportunities	17 Employees' rights and benefits	18 Occupational health and safety
19 Development and training	20 Workforce management	22 Product safety and quality	23 Customer relationship management
24 Innovation management	25 Business ethics	27 Information and internet security	
Important			
09 Energy consumption	10 Water resource management	11 Operational eco-efficiency	14 Climate change
15 Clean technology opportunities	21 Supply chain management	26 Corporate citizenship and charity	
Relevant			
05 Greenhouse gas emissions	06 Waste discharge	07 Non-hazardous waste discharge	08 Wastewater discharge
12 Impact on the environment and natural resources			

4. ENVIRONMENTAL PROTECTION

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

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

As at the end of the reporting year, the Group's company and five subsidiaries have obtained the environmental management system certification, which affirms our daily work and achievements in environmental management, and also represents an incentive to continuously optimize and develop our environmental management system to achieve higher standards and goals.

4.1 Emissions

Low carbon, environmental protection, energy saving and emission reduction

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

Greenhouse gas emissions of the Group are set out below:

Indicator	Unit	2021		2020		Remark
		PC segment	Mofang segment	PC segment	Mofang segment	
Scope 1	tons of CO2 equivalent	1,252.93	12.48	831.19	–	Gasoline consumption by vehicles and diesel consumption by production equipment, methane and nitrous oxide have been discounted
Scope 2	tons of CO2 equivalent	12,939.17	804.24	12,463.9	–	Consumption of purchased power and heat
Total	tons of CO2 equivalent	14,192.10	816.72	13,295.09	–	
Density		151.17 tons of CO_2 equivalent/ 10,000 cubic metres of output	1.55 tons of CO_2 equivalent/ Mofang product	166.72 tons of CO_2 equivalent/10,000 cubic metres of output	–	Output includes self-production for self-use

Explanation:

1. The Mofang segment is a new business for the Group in 2021 and the denominator of its density indicator is different from that of the PC segment and is therefore presented separately.

2. The increase in GHG emissions (Scope I) compared to the previous year was due to the inclusion of gasoline consumed by the Group's own vehicles in GHG emissions statistics from 2021 onwards.

3. GHG emissions (Scope 2) increased compared with the previous year because under the PC segment, the Xinpu plant in Henan will be acquired and consolidated in August 2021, and the Changshu plant will be completed and put into operation in September 2021.

The Group is not responsible for the transportation during the sales process, but certain office vehicles consume gasoline, and forklifts used in production consume diesel. During the Reporting Period, 462,800 litres of diesel were consumed and 364,600 litres of gasoline were consumed by office vehicles.

The Group will gradually establish and improve the management system to control the emission reduction targets.

Monitoring wastewater for standard discharge

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

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

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

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

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

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

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

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

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

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

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

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

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

Waste management

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

As the Group does not undertake construction work in actual construction projects, the main hazardous waste is waste paint buckets, which are recycled by the suppliers. Non-hazardous waste mainly includes waste concrete generated from the production of PC units, waste core plates and domestic waste generated from the daily work of staff, of which, waste core plates have recycling value and are recycled by the core plate suppliers, waste concrete is handed over to qualified third parties for disposal and domestic waste is transported by third parties to government designated locations for disposal.

Major wastes generated:

Indicator	Unit	2021	
		PC segment	Mofang segment
Waste concrete	Tonne	44,989.1	1,588.6
Waste core plate	Tonne	N/A	113.0
Domestic waste	Tonne	1,072.9	72.52

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

4.2 Use of Resources

Energy saving, consumption reduction, cost cutting and efficiency boosting

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

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

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

Third, the Administration Department of the Group regularly organizes trainings on energy conservation and consumption reduction to continuously strengthen employees' awareness of resources, energy and materials conservation. The Finance Department of the Group is responsible for collecting the production power consumption and other power consumption of each factory, and cooperating with the Production Department and the Administration Department to analyze the causes of power consumption fluctuation. During the Reporting Period, the Group consumed 21,131,600 kWh of electricity (2020: 14,715,500 kWh).

Indicator	Unit	2021		2020	
		PC segment	Mofang segment	PC segment	Mofang segment
Total power consumption	10,000 kWh	**1,976.89**	**136.27**	1,471.55	–
Power consumption density		**192,700 kWh/ 10,000 cubic metres of output**	**2,600 kWh/ Mofang product**	184,500 kWh/ 10,000 cubic metres of output	–

Explanation:

1. The Mofang segment is a new business for the Group in 2021 and the denominator of its density indicator is different from that of the PC segment and is therefore presented separately.

2. Under the PC segment, the Xinpu plant in Henan will be acquired and consolidated in August 2021, and the Changshu plant will be completed and put into operation in September 2021, which led to an increase in the total electricity consumption of the PC segment; coupled with the initial break-in period, the electricity consumption density also increased slightly.

In addition, due to working processes, Broad Homes (Tianjin) Co., Ltd. also consumes natural gas. During the Reporting Period, a total of 236,800 cubic metres of natural gas were consumed (2020: 197,300 cubic metres).

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

Conserving water through process innovation

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

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

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

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

Since 2017, the Group has applied the one-off moulding of PE film manufacturing process in surface roughening for PC units. This has delivered significant benefits in terms of water savings. Take a 3,550*2,800*200 mm PC shear wall as an example. This prefabricated unit uses about 2 m^3 of concrete, and needs surface roughening on four sides. The surface area treated is 2.54 m^2, and the amount of water needed for flushing is about 0.5 tons, that is, on average, 0.25 tons of water is needed to flush 1 m^3 of concrete. Based on the rough calculation and take the Tianjin plant, one of Group's local companies, for example. It produced a daily average of about 1,000 m^3 of wall panels, of which about 65% required surface roughening. If the retarder plus water washing method is used, according to the above data, 162.5 tons of water would be required for flushing, which is a great waste of water resources. At the same time, the use of large amounts of retarders will pollute the working environment of the plant and have a great adverse impact on the external ecological environment. Based on the process of moulding of PE film for surface roughening in 2020, the technical department of the Group further optimized and developed new production process, including one-off moulding of rough surface (as shown in picture 1) and shear key as a substitute for rough surface (as shown in picture 2).

Picture 1: one-off moulding of rough surface


Picture 2: Shear key replacement for rough surface process

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

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

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

Indicator	Unit	2021		2020	
		PC segment	Mofang segment	PC segment	Mofang segment
Total water consumption	Cubic metre	655,239	53,348	532,894	–
Water consumption density		0.64 cubic metre/ cubic metre of output	101.42 cubic metre/ Mofang product	0.67 cubic metre/ cubic metre of output	–

Explanations:

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

Packaging materials

The Group's finished products, such as PC units, do not use outer packaging, and are generally paved with sleepers and covered with tarpaulins to prevent contamination of the finished products during transportation. The new Mofang products launched in 2021 are covered by PE film before leaving the plant and are then fixed externally by the transportation company using rainproof coloured cloth and ropes, which will be recycled by the transportation company after transportation.

Indicator	Unit	2021	
		PC segment	Mofang segment
PE film	Kilogram	–	2,630

4.3 Environment and Natural Resources

Reducing noise and strictly controlling dust

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

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

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

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

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

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

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

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

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

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

For the Group, dust pollution comes mainly from concrete batching plants and product polishing during the production of PC units in local plants. Due to the extensive impact of industrial dust on the environment, employee health and plant equipment, the Group has made the following requirements for the batching plant facilities of local plants: First, during the procurement process for batching plant facilities, we must ensure that equipment provided by suppliers meet the national environmental standards, and explicitly prohibit the procurement of substandard products; second, we require the provision of pulse jet bag filters in the silos and main structure of the batching plant to remove dust; third, the batching plant must be in a closed indoor environment to prevent dust from being blown around by the wind. To control the product polishing process, the Group has set up an enclosed polishing room where the products are polished by robots and the dust generated during the process is collected by pulse jet bag filters and cleaned up regularly. Each factory engages a third-party testing agency to carry out on-site testing on dust emission every year, and no excessive emission was recorded in 2021.

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

Picture 3: Spray dust reduction facilities in Hefei Factory

Natural resources

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

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

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

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

4.4 Climate Change

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

Governance

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

Strategy and Risk Management

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

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

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

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

Indicators and Targets

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

Picture 4: "Certificate for Recommended Products of Green & Energy-Saving" awarded to B-house

5. SOCIAL RESPONSIBILITY

5.1 Employment

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

Legal employment and interest protection

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

Fair recruitment to attract talents

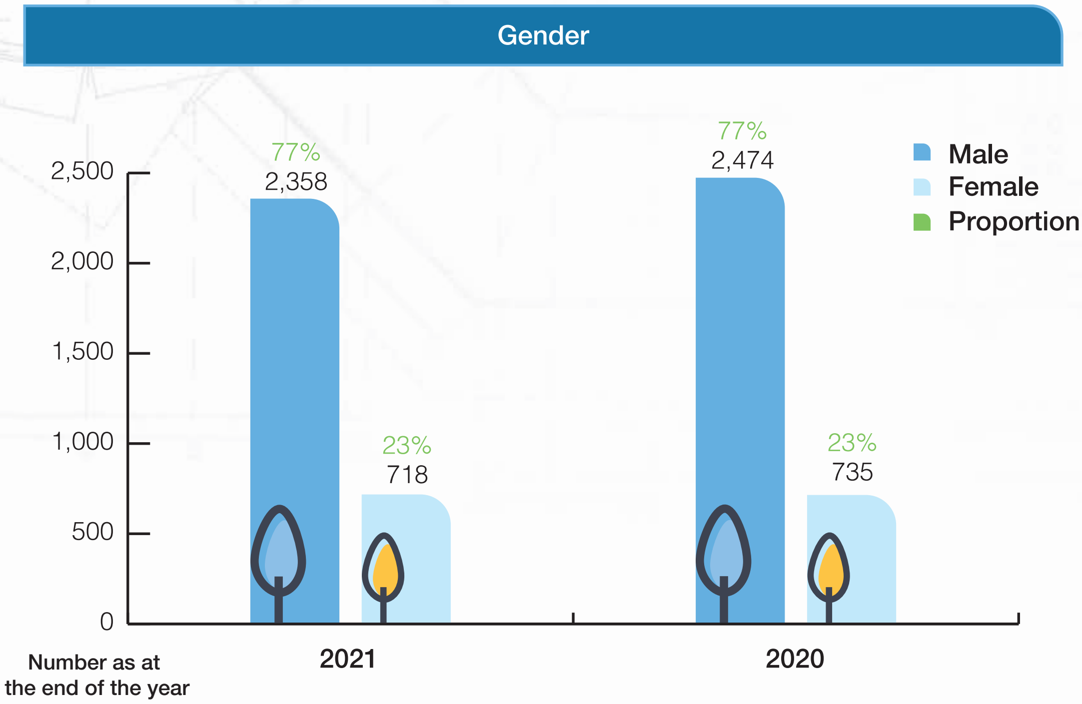
Employees are one of the most important sources of the enterprise's core competitiveness. The Group adheres to the principles of "fair competition, openness and transparency", and search far and wide for talents through online recruitment, internal recommendation, We Media recruitment, campus job fairs, and labor market job fairs, so as to attract professional talents in line with the Group's strategy requirements, professional standards and value orientation.

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

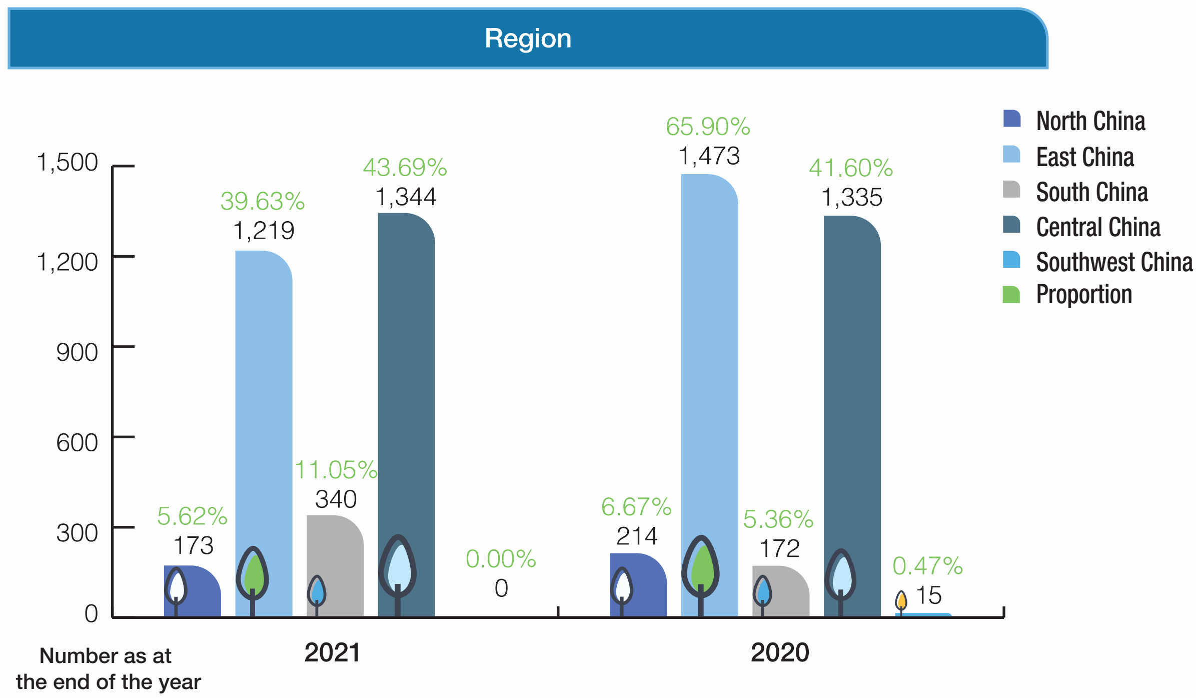
As at the end of the Reporting Period, the Group and its subsidiaries hired 3,076 full-time employees who have entered into labor contracts directly with the Group, representing a decrease of 133, or 4% from the end of the previous year. In terms of staff turnover, 2,250 employees left the Group during the Reporting Period, with a turnover rate of 71%, higher than the figure of 64% in 2020, which was mainly attributable to the social environment in 2021. There were also 7 dispatched employees in the Group.

The Group provides employees with competitive salaries and various employee benefits in daily work, including meal allowances, communication allowances and holiday benefits, so as to effectively improve the sense of belonging of employees, make employees feel the care and warmth of the enterprise, and reduce employee turnover in the construction industry under the macro circumstance. In view of the fact that employees tend to leave at the initial stage of employment, we take the initiative to provide on-the-job care for employees through recruitment and training to understand whether they adapt to the working environment, so as to effectively deal with urgent problems.

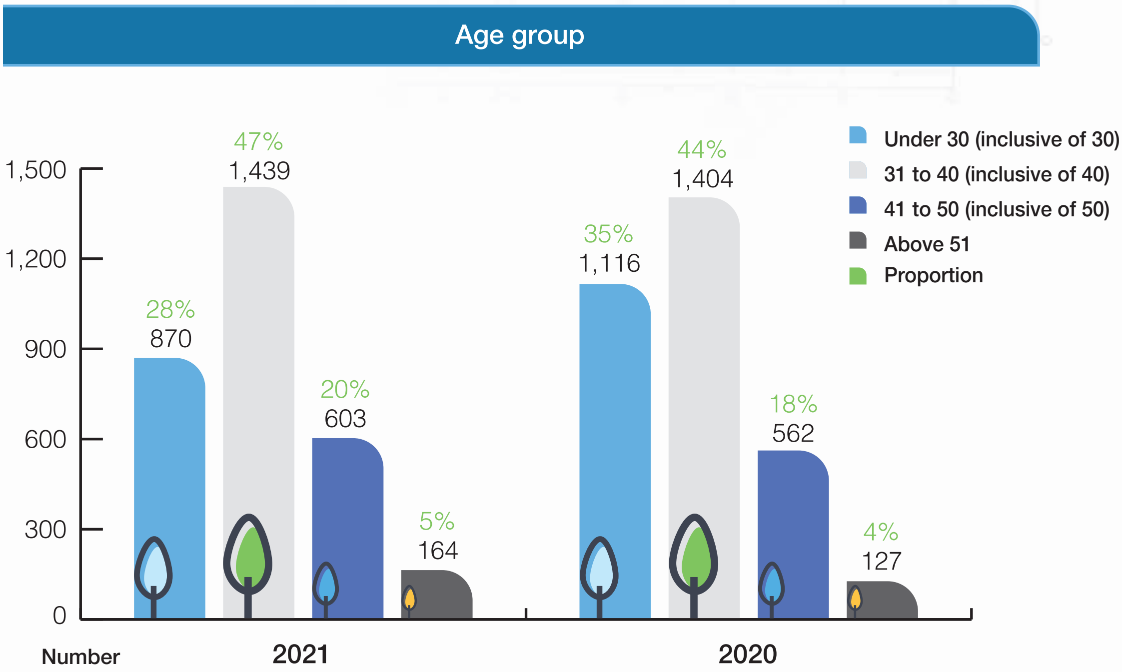
Set out below is the information of full-time employees by gender:



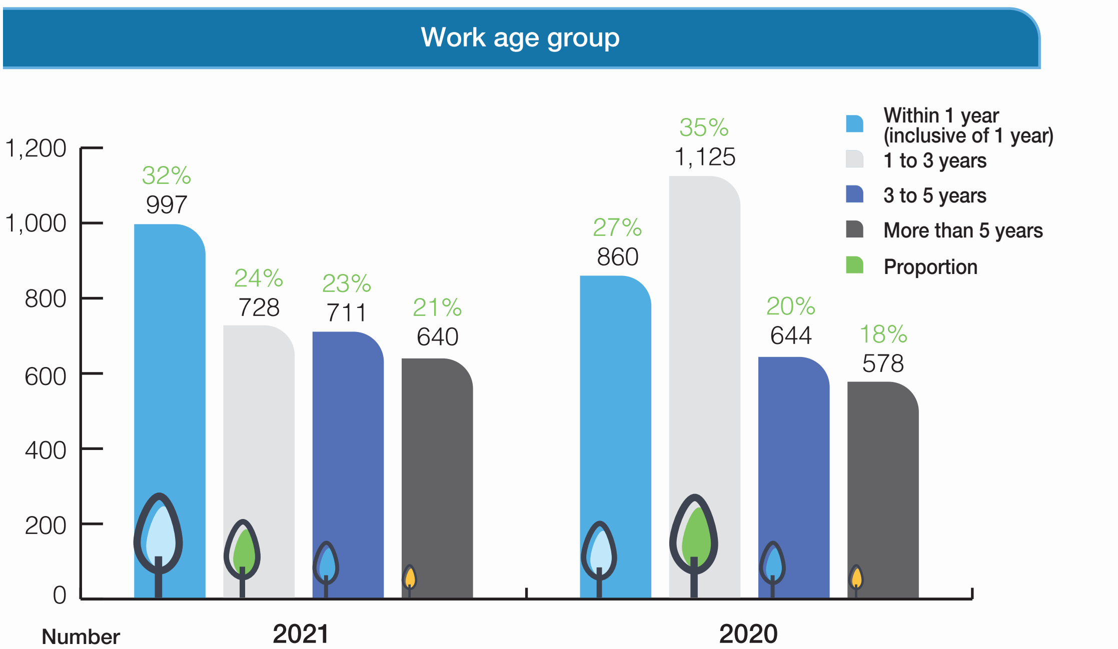
Set out below is the information of full-time employees by region:



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



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



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

Gender	Turnover rate
Male	75%
Female	57%

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

Region	Turnover rate
North China	54%
East China	56%
South China	152%
Central China	72%
Southwest China	186%

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

Age group	Turnover rate
Under 30 (inclusive of 30)	75%
31 to 40 (inclusive of 40)	73%
41 to 50 (inclusive of 50)	70%
Above 51	31%

Explanations:

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

2. The turnover rate is calculated by dividing the number of employees leaving in a given year by the number of employees at the end of that year. In view of the fact that the average work age with the Group is approximately 2 years, and the high turnover rate has always been an inherent problem in the construction industry, the turnover rate of the Group during the Reporting Period is, to the larger extent, attributable to the high turnover rate in factories.

5.2 Health and Safety

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

Occupational safety and institutional guarantee

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

The Group adheres to the basic policy of "safety foremost, prevention first and comprehensive management" for its production process management, and strives to reduce the risk of accidents in production and operation with stricter standards and a more rigorous attitude.

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

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

- Pre-job training for operators: meet the requirements of "four understand's" and "three can's". Four understand's: understand the principle of equipment, understand the structure of equipment, understand the performance of equipment, and understand the use of equipment; Three can's: can operate, can maintain and can troubleshoot;

- Formulate safety operating procedures: meet the requirement of "three tightened's" before entering the production area and the requirement of "five not allowed's" during operation. Three tightened's: the neckline shall be tightened, the cuffs shall be tightened, and the hem shall be tightened; five not allowed's: operators are not allowed to operate without wearing a safety helmet, not allowed to engage in horseplay at work or leave their posts without permission, not allowed to suddenly accelerate in excess of permitted load and perform rapid impact operations, not allowed to operate in spite of illness and perform maintenance and repair during operation, and not allowed to disassemble machinery at will;

- Develop a maintenance system: equipment maintenance shall meet the requirements of "three musts" and "four nos". Three musts are: responsible persons are a must for equipment maintenance, plans are a must for equipment maintenance and execution, and records are a must for equipment maintenance plan execution. Four nos are "no spill-over" of equipment, "no dust running" of equipment, "no dripping" of equipment" and "no leaking" of equipment;

- Install safety protection devices: the factory must meet the requirements of "three addition" safety protection devices for relevant equipment. Three addition: protective devices shall be added to the transmission, rotation and pressure parts of the mechanical equipment 2 metres or less; protective devices shall be added to the rotating shafts of transmission belts, bright gears, grinding wheels, electric saws close to the ground, flywheel, etc.; protective devices shall be added to the parts that may be contacted by the personnel of motor and power transmission device;

- Perform routine inspection before use: do "three checks" before operating equipment. Three checks: first, check whether equipment is in a normal state; second, check whether the effect of equipment maintenance meets expectations; third, check whether safety devices for equipment are effective.

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

Safety training for all employees

Occupational safety should be deeply rooted in the system, and the Group has established a safety education mechanism, including classroom training and field exercises. The Production Safety Management Committee of the Group regularly carries out safety inspections and evaluations on local factories under the Group, and at the same time requires local factories to carry out various safety trainings and disaster prevention exercises, so as to effectively improve the safety awareness and safety protection capacity of employees by integrating study with practice. During the Reporting Period, the Group carried out a total of 845 (2020: 594) trainings and exercises related to safety education, with 18,470 (2020: 15,186) participants, of which 510 (2020: 329) were induction safety trainings for new employees. All new employees are required to participate in safety education before taking up their posts, and existing employees are required to review it regularly every year, with a coverage rate of 100%.

Case: "Production Safety Month" campaign

In June 2021, in response to the 20th National "Production Safety Month", the Group deeply implemented the concept of "Fulfilling Safety Responsibility and Promoting Safety Development", and carried out "Production Safety Month" campaign, specified the relevant tasks of different regional companies and functional departments based on the actual situation in relevant areas, and carried out safety education and training, special inspections and planned drills to establish a solid line of defence for production safety.

"Production Safety Month" campaign of the Lugu No. 2 Intelligent Manufacturing Production Base of the Hunan company

"Production Safety Month" campaign of the Shanghai company of Broad Homes

"Production Safety Month" campaign of the Yueyang Intelligent Manufacturing Production Base of the Hunan company

Picture 5: "Production Safety Month" campaign carried out in factories in different areas in 2021

System construction and implementation

The construction of occupational health and safety management system of the Group has achieved initial success, and the Group has obtained ISO45001:2018 certification standard and the "Tier-three Enterprise of Safety Production Standardization" certificate issued by the State Administration of Work Safety. As of the end of 2021, a total of seven factories in Hangzhou, Xiangtan, Shanghai, Liyang, Hefei, Fuyang and Lugu obtained the certificate of "Tier-three Enterprise of Safety Production Standardization".

Picture 4: The ISO45001: 2018 certification standard of occupational health and safety management system and the certificate of "Tier-three Enterprise of Safety Production Standardization" obtained by the Group

Picture 6: The certificate of "Tier-three Enterprise of Safety Production Standardization" obtained by Broad Homes Industrial (Hangzhou) Co., Ltd. and Xiangtan Broad Homes Industrial Co., Ltd.

We continuously improve the construction of our safety management system and strengthen the management of production safety in two aspects of system and technology as well as software and hardware to fully safeguard the occupational health and life of our employees. In terms of system development, the Group published the Standardised Safety Management Manual in July 2021, adhered to the general principle of "Prioritizing prevention and ensuring effective implementation, guaranteeing safety by complying with relevant regulations, and facilitating improvement with concerted efforts of all staff", and regularly facilitated and standardised nine major safety management tasks, including equipment and facilities management, occupational health management, and safety management evaluation and assessment based on high standards and requirements, in order to maintain a solid foundation for production safety. For technological development, we have developed and optimised the PCCPS-BSM safety information management system to enable timely monitoring of operational safety status of the plants while creating digital data on equipment safety to ensure efficient management of accidents and potential hazards, thereby enabling collaborative and intelligent management of production safety of plants through standardised procedures.

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

	2021	2020	2019
Number of employees suffered work-related injuries	22	31	27
Loss of working days due to work-related injuries	517	517	448

During the Reporting Period and the last two years, no work-related death was recorded, but one person working in the Group's premises was killed due to improper operation in 2020. After the incident, the Group immediately took countermeasures and set up an investigation team to get information from the supplier which such person served and the department where the accident occurred, find out the cause of the accident, and report it top-down within the Group, warning all employees and people working in the Group's premises and further strengthening safety awareness education.

5.3 Development and Training

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

Various trainings with different emphases

We arrange and manage the training business of the Group and its subsidiaries as a whole through the Training Management System. In terms of arrangements for training, the Group makes a point of tailoring teaching to fit individuals and combining theory and practice. For employees in different positions and with different needs, the Group tailors training to their career planning and the grades of their jobs, so as to help employees better adapt to new positions and improve skills through training. Building a Group tutor team is an important way of creating, sharing and accumulating in-house knowledge, which can contribute to the sustainable development of the Company while serving as an important medium for promoting corporate culture. We have established the Instructor Management System and trained over 300 internal instructors to enhance the professional skills and transferability of staff through effective internal training, reduce the time spent in daily work of staff, and facilitate the cultivation of highly competent talents in corporate development.

The Company offers a wide range of training programs and encourages local plants to provide training that is more diverse in form and richer in content, including but not limited to new employee orientation, professional competence training and position certification, workers' skills training and professional skills grading, workshops, management seminars, and live courses. The main forms of training include lectures, case studies, practical exercises on production lines, mentorship and sand table exercises, covering all business lines such as marketing, technology, manufacturing, engineering, human resources and finance. Meanwhile, we also provide online training in line with the trend of the times, and encourage active participation by employees to help employees learn and grow. In 2021, the Group held more than 500 trainings, including 370 live training sessions, with more than 42,000 participants; 149 offline trainings, with more than 10,000 participants, and uploaded over 600 new online learning videos on business standardisation and position standardisation. The training covered all employees, and the average training hours per employee was 180.5 hours/year. Set out below is the information of employee trainings provided by the Group in 2021 and 2020:

Training type	Key indicator	2021	2020
Safety training	Total number of safety training and disaster prevention exercises	**845**	594
	Number of participants in safety training and disaster prevention exercises	**18,470**	15,186
	Number of induction safety training	**510**	329
	Coverage rate of induction safety training	**100%**	100%
Total	Total number of trainings	**800+**	500+
	Coverage rate	**100%**	100%
	Average training hours (hour/year)	**180.5**	129.06

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

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

In order to break the space barrier and enable employees to learn and train flexibly, we actively explored the online training model and developed the WeChat app of "Broad Homes Lean Academy" as an online training platform, giving all employees of the Group access to all courses to support inter-departmental and cross-position learning and comprehensive development of employees with learning desire and ability.

Information of staff training of the Group in 2021 is as follows:

Item	Key indicator	2021
Percentage of employees trained by gender	Percentage of male employees trained	98.6%
	Percentage of female employees trained	99.2%
Percentage of employees trained by function	Percentage of senior management staff trained	100%
	Percentage of middle management staff trained	100%
	Percentage of frontline staff trained	99%
Training hours per employee	Training hours per male employee	194 hours per year
	Training hours per female employee	167 hours per year
	Training hours per senior management staff	218 hours per year
	Training hours per middle management staff	139 hours per year
	Training hours per frontline staff	122.5 hours per year

Partnering to cultivate industry talent

We appreciate the importance of talent cultivation and knowledge sharing. In May 2016, we set up Broad Homes Lean Academy, the first in China to provide systematic training on prefabricated buildings, and developed a set of proven and replicable Broad Homes business solutions (BBS) with the support from outstanding employees of the Group based on successful business models and patterns, providing training courses for employees while cultivating talents for the prefabricated construction industry. Broad Homes Lean Academy provides comprehensive training courses for our employees and employees at Joint Factories covering various aspects including marketing, technology, manufacturing, construction, human resource and finance in the prefabricated building industry. The courses are specially developed by us to provide the practical skills training required for different operational and managerial positions through PC-CPS, and consist of a one-month online course and test on the Wechat application of Broad Homes Lean Academy and a two-month internship at a PC plant. By learning at the Broad Homes Lean Academy, employees will acquire basic knowledge of PC unit manufacturing and PC-CPS, and have the opportunity to practice at a plant. Only after completing the course and practice can the relevant employees perform their duties in specific positions. After completing specific course and passing the examination at the Broad Homes Lean Academy, students will receive position certification from Broad Homes Lean Academy. As of the end of the reporting year, we continuously provided training courses on advanced management concepts and practical skills of Broad Homes to over 800 managers and 1,000 skilled workers, and conducted training exchanges with various industry partners with an open mind. We believe that a high-quality talent team will support our continuous technological innovation in the future and strengthen our leading position in the market.

Broad Homes Lean Academy continues to empower the prefabricated construction industry. The Group has been qualified as a social training and evaluation organisation for professional skills grading in Hunan Province in 2020 and has started to carry out professional skills grading for cement and concrete product workers, moulders, steel reinforcement workers and builders of prefabricated construction. The Group also obtained a special qualification for professional skills assessment in Hunan Province in 2020, which allows it to provide professional competency assessment for builders of prefabricated construction and PC units.

In addition, we are working with leading academic institutions, real estate developers and leading companies in China to explore the functional performance of PC units and study the structure of building materials. As of the end of the Reporting Period, we had signed cooperation agreements with well-known architectural design firms, well-known enterprises, and colleges and universities, including scientific research institutes, such as Tsinghua University, China Academy of Building Research, Tongji University, and Hunan University to continuously improve our professionalism through cooperative R&D and technical exchanges. This is also conducive to boosting the commercialization of scientific and research findings by colleges and universities and promoting the common prosperity and progress of the industry.

5.4 Labor Practices

Strict examination to prohibit child labor

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

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

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

Compliance and free employment

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

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

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

5.5 Supply Chain Management

The supply chain runs through the starting point, process and ending point of an enterprise's production and operation, and steady and continuous supply is of significant economic and social value for an enterprise. We strictly control the selection of suppliers for material procurement and service outsourcing, lay down explicit provisions on the selection of suppliers, the procurement process, material management and quality inspection through a detailed procurement system and supply chain process management system, continuously consolidate and expand our partnership with suppliers through good communication, and leverage our economies of scale to reduce procurement costs and ensure stable supply.

Fair and transparent trading

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

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

Classified and responsible procurement

When it comes to comprehensive consideration of procurement, the Group always puts quality first. Meanwhile, the Group will identify, assess and monitor the environmental and social risks by requiring relevant qualification certificates, market case reference and on-site inspection. Practices are implemented for new suppliers and annual audits for applicable suppliers. As at the end of the Reporting Period, the Group had a total of 863 suppliers (including 224 new suppliers) related to product manufacturing and customer service. The distribution by region is set out below:

	PC units business	Mofang business	PC equipment business	Total
East China	321	6	2	329
South China	46	18	1	65
Southwest China	4	1	0	5
Central China	234	85	23	342
North China	113	4	4	121
Northwest China	1	0	0	1
Total	719	114	30	863

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

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

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

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

Based on strict quality requirements, we do not often change suppliers, but maintain long-term relationships with major suppliers with excellent supply quality, so as to leverage our economies of scale and ensure stable and efficient supply. As of the end of the Reporting Period, 143 PC raw material suppliers and 12 OEM equipment suppliers had cooperated with us for more than three years.

5.6 Product Responsibility

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

Pursuit of excellence and quality assurance

The Group strictly abides by relevant laws and regulations such as the Product Quality Law of the People's Republic of China and the Advertising Law of the People's Republic of China. Under the leadership of Chairman Mr. Zhang Jian and the management, we have formed a "non-speculative, professional, and dedicated" philosophy and a quality-focused corporate culture. We are committed to making higher-quality products and providing more professional services for customers in the spirit of craftsmanship. We implement strict quality control measures throughout the production process, adopt a full-process quality management system to monitor the quality of products at all stages such as the delivery of design, raw material inspection, production and product delivery, and set a target pass rate at each stage, including a 99.5% pass rate for raw materials (the ratio of the quantity of conforming raw materials to the total quantity of raw materials received) and a 99.9% pass rate for finished products (the ratio of the number of conforming PC units produced to the total number of PC units produced).

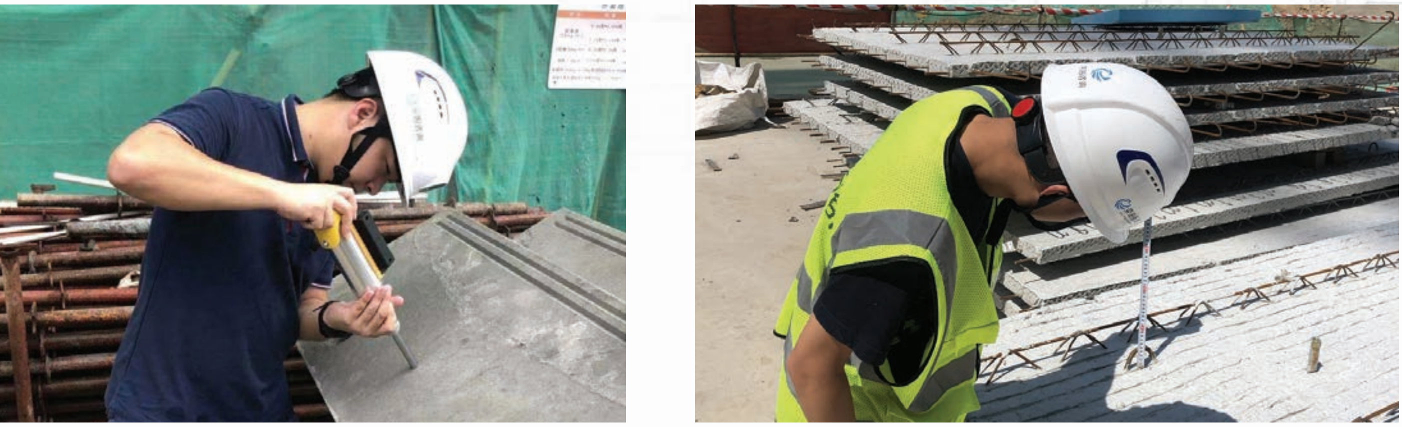
In order to ensure the quality of our raw materials and products, we have put in place a quality-oriented procurement and accountability-oriented procurement system in the aforementioned supply chain management, and set up a standard laboratory for prefabricated concrete in each plant to test the quality and function of raw materials and products. We have also set up a quality management department to ensure the overall control and management of product quality and constantly improve our quality management system. All products are strictly inspected by the production, safety and quality control departments before leaving the factory to ensure the safety and reliability of the products. As of the end of the Reporting Period, the Group's eight factories in Hangzhou, Hefei, Jiangsu, Hunan Lugu, Shanghai, Tianjin, Changshu and Henan Xinpu had achieved ISO9001:2015 certification for quality management system.

Our products are not involved in recalls for safety and health reasons, and there were no product recalls for safety and health reasons during the Reporting Period.

Case: Third-party assessment of "product quality + customer services"

In order to effectively facilitate the implementation of internal quality responsibilities, comprehensively collate and inspect the service performance, listen to customers' opinions and solve their problems, we engaged a professional third-party assessment agency at the end of May 2021 and took the lead in implementing the third-party assessment of "product quality + customer services" in the prefabricated construction industry. The agency conducted site visits to 36 service projects under construction of housing enterprises in the form of unannounced inspection, which involved high-rise residential buildings, subsidized housing and flat products and covered 6 directly-managed companies such as Hunan, Zhejiang and Anhui companies of Broad Homes and 11 intelligent manufacturing factories such as Lugu factory, Hangzhou factory and Hefei factory, to investigate and evaluate the quality of PC units, production lead time and customer satisfaction.

Picture 7: The Group achieved ISO9001:2015 certification for its quality management system



Picture 8: On-site project assessment conducted by the Group

Active communication and sincere service

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

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

Pursuing innovation and leading the industry

We are the pioneer and leader for construction industrialization in China. Our founders and management team have continuously focused on technical research and development and accumulated experience since entering the field of construction industrialization in 1996. Relying on our first-class manufacturing capabilities for PC units, as well as advanced software and systems such as PC Maker and PC-CPS, we have opened up every link of the industry chain, including design, manufacturing, construction, operation and maintenance, and formed our unique advantage in technological innovation. We possess several world-class core technologies, including, complete PC equipment research and development and manufacturing technology, fully prefabricated residential construction technology and integral underground utility tunnels composite prefabrication technology. We are committed to improving the quality of our products and services through these technologies. As at the end of the Reporting Period, the Group and its 11 subsidiaries were all national high-tech enterprises.

The Risk Control Administration Department of the Group is responsible for the management of intellectual property rights. During the Reporting Period, the Group further improved and optimized the Measures for the Administration of Intellectual Property Rights and the Regulations on the Administration of Joint Patent Applications, and separately formulated the Patent Management System, the Trademark Management System and the Copyright Management System, which were refined in terms of process specifications and work cooperation requirements. Meanwhile, in order to prevent infringement in advance and set up patent protection barriers for key technologies, we have formulated the Early Warning Mechanism of Intellectual Property Rights and the Provisions on Handling Rights Protection of Intellectual Property Rights Infringement. The Risk Control Administration Department regularly collects feedback from technical personnel and market personnel, and conducts patent retrieval from time to time, so as to jointly safeguard and deal with the rights after patent application and strengthen cooperation in legal risk control. As of the end of the Reporting Period, we had 1,187 patents (58 of which were shared with third parties), an increase of 237 from the end of last year. In addition, 431 patents have been filed in China. In order to promote the development of China's construction industrialization, the Group, while protecting its own intellectual property rights, compiled works leveraging the experience accumulated through years and shared with peers in the industry:

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

We actively published academic papers in various professional journals:

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

We actively participated in government scientific research projects:

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

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

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

Broad Homes also participated in the formulation of 16 provincial standards:

No.	Standard
1	Technical Specifications for Box-connected Multi-story Fully Prefabricated Concrete Wall—Slab Structure of Hunan Province DBJ 43/T 320-2017
2	Technical Specifications for Prefabricated Integral Buildings of Concrete Composite Floor of Hunan Province DBJ 43/T 301-2013
3	Technical Specifications for Concrete Assembly—Cast-in-Place Shear Wall Structure of Hunan Province DBJ 43/T 301-2015
4	Evaluation Standards of Green Prefabricated Buildings of Hunan Province DBJ 43/T 332-2018
5	Technical Standards for Prefabricated and Assembled Integral Concrete Underground Utility Tunnels of Hunan Province DBJ 43/T 329-2017
6	Unified Modulus Standards for Prefabricated Concrete Structure Residence of Hunan Province DBJ 43/T 331-2017
7	Code for Construction Quality Acceptance of Prefabricated Structure Engineering of Jiangsu Province DGJ32/J 184-2016
8	Design Depth and Technical Specifications of Prefabricated Concrete Shear Wall Structure Residential Buildings of Jilin Province (Trial)
9	Technical Specifications for Construction of Composite Prefabricated Concrete Underground Utility Tunnels of Xinjiang Uygur Autonomous Region XJJ093-2018
10	Prefabricated Concrete Structure Engineering Construction Quality Acceptance Procedures of Guangzhou DB4401/T 16-2019
11	Technical Standards for Application of Prefabricated Concrete Sandwich Insulation External Wallboard of Henan Province DBJ41/T212-2019
12	Technical Standards for Prefabricated Concrete Urban Underground Utility Tunnel Structure of Chongqing DBJ50/T-343-2019
13	Technical Specifications for Grouting Connection of Reinforced Sleeve of Prefabricated Concrete Structure of Zhejiang Province DB 33/T 1198-2020
14	Hunan Province Standard for Constructional Quality Acceptance of Assembled Concrete Structures DBJ43/T205-2021, a local standard of Hunan Province
15	Technical Specifications for Box Based Bolt Connection Multi-story Fully Assembled Concrete Wall-Slab Structure DB34/T3822-2021, a local standard of Anhui Province
16	Rules of Drawing for In-depth Design of Prefabricated Concrete Structures of Zhejiang Province, a collection of standard drawings

Actively participating in the formulation of industry standards will provide more possibilities for us to promote the technical system and maintain the leading position in the industry. Over the years, we have won many honors and awards, but we only regard them as a spur to move forward, and never stop our pace of innovation and development.

Overview of our awards obtained in recent years:

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

No.	Award/Certification
13	Model Enterprise of Technology Innovation in Changsha (長沙市技術創新示範企業) granted by Bureau of Finance of Changsha City and Changsha Economic and Information Commission in 2017
14	Award of Product Innovation (產品創新獎) (the first batch in Hunan Province) granted by the People's Government of Hunan Province in 2017
15	Hunan Industrial Design Centre (湖南省工業設計中心) granted by Economic and Information Committee of Hunan Province in 2017
16	National Prefabricated Building Industrialization Base (國家裝配式建築產業基地) granted by MOHURD in 2017
17	"First-Choice Brand" in Prefabricated Construction (裝配式建築"首選品牌") granted by Chinese Real Estate Association and China Real Estate Appraisal Centre in 2018
18	Pilot Demonstration Project of Intelligent Manufacturing (智慧製造試點示範項目) granted by MIIT in 2018
19	Model Enterprise of Technological Innovation in Prefabricated Building in China (中國裝配式建築科技創新典範企業) and Prize of Temple of Heaven for Prefabricated Construction in China (中國裝配式建築天壇獎) granted by China Real Estate News, China Think Tanks and China Real Estate Business Academy in 2018
20	Hunan Province Construction Industry Science and Technology Innovation Excellent Enterprise (湖南省建設行業科技創新優秀企業) jointly granted by Hunan Construction Technology and Building Energy Conservation Association and Hunan Housing Industrialization Promotion Association in 2018
21	Digital Innovation Pioneer Enterprise Award (數字創新先鋒企業獎) of the Elite Habitat Award (精瑞人居獎) in 2019
22	First among Prefabricated Structure (PC structure) Category of China's TOP10 Real Estate Industry Chain Strategic Integrity Suppliers in 2019
23	Special Contribution Enterprise to China's Better Life (中國美好生活特別貢獻企業) granted by Leju Finance Research Institute in 2019
24	Leading Brand of China's Prefabricated Construction Enterprises (中國裝配式建築企業領先品牌) granted by China Real Estate News, China Real Estate Network and Zhongfang Think Tank-China Real Estate Business Academy in 2019
25	TOP 1 Preferred Brand Prefabricated Construction of Top 500 Chinese Real Estate Development Enterprises for 2019 and 2020 in 2019
26	Green Enterprise Management Award (綠色企業管理獎) granted by China Environmental News Council in 2019
27	Top 100 Enterprises in Hunan Manufacturing Industry (湖南製造業100強企業) certified by Hunan Provincial Federation of Enterprises and Industrial Economics in 2019

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

Confidential management over customer information

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

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

Product incubation and experience upgrade

As a pioneer of construction industrialisation in China, Broad Homes insists on giving priority to ecological and green low-carbon development. By accumulating product and technology advantages, Broad Homes continuously increases its efforts in research and development of green and low-carbon buildings to overcome the limitations of time, space and land, innovates materials, processes and large-scale manufacturing technologies, develops reusable and moveable modular units, create refined, customized and differentiated products through iteration, and meticulously creates the "BOX Modul" product series, which has greatly enhanced the space utilization efficiency.

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

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

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

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

Picture 9: Real shot of the production line of Broad Homes Mofang's apartments

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

We have conducted thorough research and analysis on various modes of transport, lifting equipment and road conditions in China and abroad, and have introduced a variety of Mofang products for different scenarios, enable the customers to take creative initiative and offer flexible combinations to adapt to multiple application scenarios including cultural tourism spaces, office spaces, medical spaces, commercial spaces and research spaces. In 2021, we delivered Mofang projects in 16 provinces.

Case: Moon Island Star Camping Park

Moon Island Star Camping Park is equipped with detached accommodation units with courtyard, a farm, multi-functional meeting rooms, American-style caravans, a pet animal park and exquisite camping tents, and is a comprehensive camping park integrating catering, accommodation, outdoor activities and parent-child study. The project uses six Mofang products as accommodation. In terms of product design, multiple ports are added to the low voltage power box to accommodate internet and telephone lines to meet the needs of residents; the room windows are designed in a north-south direction to improve ventilation; and the exterior adopts a minimalistic white appearance, perfectly suited to a variety of leisure scenarios.

Picture 10: Moon Island Star Camping Park

Case: Bamian Mountain Hostel

The Bamian Mountain Hostel project uses 46 Broad Homes Mofang products. A total of 70 modules travelled 500 kilometres from the Changsha factory, passed through 18 kilometres of mountain roads and 17 sharp turns, and reached the destination of a flat-topped mountain with an altitude of 1,314 meters where they were lifted and installed in cold weather of nearly 0℃ within 15 days, successfully completed an impossible mission.

Picture 11: Application of BOX Modul products in Bamian Mountain Hostel

5.7 Combat against Corruption

Promoting integrity and continually ringing the alarm

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

To facilitate the continuous improvement of long-term anti-corruption mechanism, according to the Anti-Unfair Competition Law and based on the actual situation of the Company, the Groups has formulated the Group Risk Management System, the Group Compliance Supervision System and the Group Internal Audit System, which are implemented with the attitude of "no place out of bounds, no ground left unturned, and no tolerance shown". We insist on the combination of macro planning and the actual situation of the enterprise, the combination of addressing the symptoms and the root cause, the combination of near-term goals and long-term goals, and the combination of inheritance and innovation, so as to strengthen the Group's internal integrity and democratic supervision mechanism, and further enhance the standardised and systematic anti-corruption works of the Group. In order to fully utilize the function of supervision in frontline governance and ensure a smooth channel of supervision by the public, the Group has put in place a complaint and whistle-blowing system and implementation measures, set up a department for handling complaints and reports, and disclosed the email account (report@bhome.com.cn), address (No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province) and telephone number (0731-8977 5722) for complaints and whistle-blowing. We handle complaints and whistleblowing in accordance with the "acceptance, preliminary investigation, filing, investigation, processing, and objection" procedure and coordinates with various departments at different levels to further integrate supervisory forces, strengthen supervisory responsibilities and improve the supervisory effectiveness.

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

Prevention through training and publicity

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

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

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

5.8 Community Investment

The Group actively participates in public welfare activities and encourages employees to participate and make positive contributions to community construction. We pursue sustainable development with due considerations paid to economic and social benefits, and strive to create a heart-warming and responsible Broad Homes.

Combating COVID-19 pandemic through multiple measures

In 2021, following the subsiding of the first generation of COVID-19, the new "Delta" and "Omicron" variants began to spread. Such complicated and rapidly changing pandemic situation is placing greater requirements on people's response time and ability to cope with the spread of disease. Amidst the pandemic, public medical facilities have become a major public concern, and it is important that these facilities are able to respond quickly to medical needs and changes of the pandemic. In such severe combat against the pandemic, the Group proactively fulfilled its social responsibilities. In particular, the Broad Homes Mofang product series developed by the Company are used as urban medical facilities such as nucleic acid testing cabins, pandemic prevention and control stations and blood donation booths, which not only provide strong material support for pandemic prevention and control, but also make corresponding contributions to the effective implementation of the "six stabilizes (stabilizing employment, finance, foreign trade, foreign capital, investment and expectations)" and "six safeguards (safeguarding employment, basic livelihood, market players, food and energy security, stability of industrial and supply chain, and grassroots-level operation)" tasks as well as the promotion of economic and social development.

Case: Reassuring and reliable mobile testing cabin

In order to improve the overall pandemic prevention capability of the hospital and the efficiency of nucleic acid testing, Changsha No. 3 Hospital chose BOX Modul as the mobile nucleic acid testing cabin, which greatly reduced the possibility of cross-infection, improved the overall pandemic prevention capability and testing efficiency of the hospital, and ensured that nucleic acid sampling is carried out quickly and efficiently. In this project, it took only 50 minutes for the construction process of BOX Modul product, which can be put into use immediately after it is delivered with interior finish, truly achieving ready-to-use. In addition, the mobility of the BOX Modul product also greatly enriches the function of the cabin, which can also be used as regular medical facility after the pandemic.

Picture 12: Mobile testing cabin

Devoting ourselves to the public good and giving back to society

In November 2016, the Group officially joined the Society of Entrepreneurs and Ecology (SEE) to lend our support to SEE's activities for the public good which root in the development of environmental protection public welfare industry and focus on the three fields of desertification control, climate and commercial sustainability, ecological protection and nature education. A group of volunteers composed of our employees came to SEE. Through experiential activities for the public good, we called on more employees and more "Broad Homes" associates to pay attention to environmental activities for the public good.

Picture 13: Spring exchange meeting of SEE Xiaoxiang Center and ecological and environmental organizations in Hunan

On March 20, 2021, the spring exchange meeting of SEE Xiaoxiang Center and ecological and environmental organizations in Hunan was successfully held in Changsha. In this event, Broad Homes joined hands with environmental protection organizations such as Green Xiaoxiang, Huxiang Nature, Shuguang Environmental Protection and the Hunan Provincial Environmental Protection Federation to discuss various environmental protection and public welfare topics, covering water source protection, creative environmental art communication, biodiversity protection and heavy metal risk prevention and control, promote in-depth thinking and development of environmental protection and public welfare activities and facilitate close cooperation among public welfare organizations, thereby jointly establishing a new ecosystem of sustainable public welfare.

In addition, to implement the requirement of "contributing to the general public with practical actions", the Group donated RMB100,000 to the "Xiangjiang Dream Charity Fund" established by Hunan Xiangjiang New Area Development Group Co., Ltd. to provide financial assistance to the youngsters from economically disadvantaged families in rural areas to improve their living conditions and learning environment and establish the "Hope House" project. Under the "Hope House" project, the existing houses were improved by renovating the floor and walls, and desks and chairs, bookshelves, lamps and other basic supplies were provided to youngsters thereby creating a comfortable and tidy living and learning space to support their happy and healthy growth. During the Reporting Period, the Group's public welfare expenditure totalled RMB0.43 million.

The Group actively responds to voluntary blood donation activities, and regularly organizes employees to participate, conveying love and warmth with blood. During the reporting year, a total of 29 employees of the Group participated in blood donation to donate approximately 8,000 ml of blood. Meanwhile, we provide subsidies and rewards to employees who have successfully donated blood, and arrange appropriate paid leave to show support and encouragement for employees who participate in blood donation.

Facilitating rural revitalisation through high-quality industry development

With the rapid urbanisation in China, rural revitalisation has become an important task facing enterprises when they undertake their social responsibilities. With the accelerated implementation of rural revitalisation, more and more industries will expand to rural areas, leading to increasing demand for improvement of relevant ancillary facilities and flexible and diverse means of land supply, where prefabricated construction can make important contribution. From cities to rural areas, Broad Homes integrates people's livelihood into corporate development and begins to pursue high-quality and green development. To meet the needs of high-quality development for urban and rural construction, the B-house series significantly enhance the construction efficiency by using multi-story fully prefabricated and integrated building products, which can be delivered with interior finish in 100 days, enabling full delivery of multi-story estate in six months. B-house products have been widely applied in various cities, counties and townships at different levels, which effectively improve the living quality of rural areas and facilitate the construction of livable villages. In addition, as a ready-for-use product that can be built within several hours, the BOX Modul solves many problems such as outdated products, poor environment and inadequate supporting facilities for the industrial development of rural areas, and greatly releases the value of rural land.

Case: Huadu Agricultural Technology Industrial Park

Chini Town, where Guangzhou Dagen Real Estate Co., Ltd. is located, is making every effort to develop into a demonstrative town for rural revitalization with national influence under the leadership of the Party committee and government of Huadu District. In order to establish a local industrial park with green and technological characteristics and to introduce supporting projects such as agricultural experience and technological research, two BOX Modul buildings were delivered in 2021 to provide office and rest functions for the park. In the future, another five BOX Modul buildings will be completed to improve the park facilities and support Chini Town's vision of integrating agriculture, technology, culture and tourism industries.

Picture 14: Huadu Agricultural Technology Industrial Park

REFERENCE TABLE FOR ESG GENERAL DISCLOSURES

Environmental, Social and Governance Reporting Guide		Chapter	Page
Major scope A. Environmental			
Aspect A1: Emissions			
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.1	97-98
A1.1	The types of emissions and respective emissions data.	4.1	98-101
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	98
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	–	N/A
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	4.1	101
A1.5	Description of emission target(s) set and steps taken to achieve them.	4.1	98-101
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.1	100-101

Environmental, Social and Governance Reporting Guide		Chapter	Page
Aspect A2: Use of Resources			
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	4.2	102-103
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	4.2	103
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	4.2	106
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.2	103
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.2	106
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	4.2	106

Environmental, Social and Governance Reporting Guide		Chapter	Page
Aspect A3: Environment and Natural Resources			
A3	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	4.3	107-109
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3	107-109
Aspect A4: Climate Change			
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.4	109-111
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.4	109-111
Major scope B. Society			
Employment and Labor Practices			
Aspect B1: Employment			
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1	112
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	5.1	113-114
B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	115

Environmental, Social and Governance Reporting Guide		Chapter	Page
Aspect B2: Health and Safety			
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.2	117-121
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.2	121
B2.2	Lost days due to work injury.	5.2	121
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.2	117-121
Aspect B3: Development and Training			
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3	121-124
B3.1	The percentage of employees trained by gender and employee category (such as senior management and middle-level management).	5.3	123
B3.2	The average training hours completed per employee by gender and employee category.	5.3	123
Aspect B4: Labor Standards			
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.4	125
B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.4	125
B4.2	Description of steps taken to eliminate child and forced labor practices when discovered.	5.4	125

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Environmental, Social and Governance Reporting Guide		Chapter	Page
Operating Practices			
Aspect B5: Supply Chain Management			
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	5.5	126-128
B5.1	Number of suppliers by geographical region.	5.5	127
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.5	127
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.5	127-128
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.5	128
Aspect B6: Product Responsibility			
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.6	128-140
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	N/A
B6.2	Number of products and service-related complaints received and how they are dealt with.	5.6	130
B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.6	130-137
B6.4	Description of quality assurance process and recall procedures.	5.6	128
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.6	138

Environmental, Social and Governance Reporting Guide		Chapter	Page
Aspect B7: Anti-corruption			
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.7	141-142
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.7	142
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.7	141-142
B7.3	Description of anti-corruption training provided to directors and staff.	5.7	142
Community			
Aspect B8: Community Investment			
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.8	142-145
B8.1	Focus areas of contribution (such as education, environmental matters, labor requirements, health, culture and sports).	5.8	142-145
B8.2	Resources contributed to the focus areas (such as money or time).	5.8	142-145

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Changsha Broad Homes Industrial Group Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 161 to 259, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition	
Refer to note 4 to the consolidated financial statements and the accounting policies on pages 190 to 192.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's revenue is principally derived from the sales of prefabricated concrete unit ("PC Unit") and prefabricated concrete equipment ("PC Equipment"), which contributed more than 95% of the Group's revenue for the year ended 31 December 2021. Revenue is recognised when: (1) for PC Unit, the Group satisfies the performance obligation by transferring the control over PC Unit products to the customer, which is the point of time when the Group delivers the products to the designated place and the customer accepts the products and signs on the goods delivery note in accordance with terms and conditions as set out in the contract with the customer;	Our audit procedures to assess the revenue recognition included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to revenue recognition of PC Unit and PC Equipment; • inspecting key customer contracts, on a sample basis, to identify performance obligations and terms and conditions relating to goods acceptance and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • for revenue of PC Unit, comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales orders, goods delivery notes signed by customers, invoices and transportation settlement forms to assess whether the related revenue was recognised in the appropriate accounting period;

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to note 4 to the consolidated financial statements and the accounting policies on pages 190 to 192.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>(2) for PC Equipment, the Group satisfies the performance obligation by transferring the control over PC Equipment products to the customer, which is the point of time when the Group delivers the products to the designated place, installs the products and provides the initial operator training in accordance with the terms and conditions as set out in the contract with the customer.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there may be an incentive for management to recognise revenue in the incorrect accounting period, either earlier or later, to meet its performance expectations or targets.</td><td>• for revenue of PC Equipment, comparing, on a sample basis, revenue transactions recorded during the year with the underlying sales orders, equipment installation and acceptance notes, invoices and training completion reports to assess whether the related revenue was recognised in the appropriate accounting period;

• obtaining external confirmations, on a sample basis, directly from customers to confirm the trade debtor balances at the year end and transactions recorded during the year;

• comparing, on a sample basis, specific revenue transactions recorded before and after the year end date with the underlying transportation settlement forms and goods delivery notes signed by the customers to assess whether the related revenue had been recognised in the appropriate accounting period;

• identifying significant sales returns, inspecting the relevant documents in relation to the sales returns, including sales return agreements, sales return invoices and relevant goods receipt notes, on a sample basis, and assessing whether these sales returns are recorded in the appropriate accounting period;

• inspecting underlying documents, on a sample basis, for journal entries in relation to recognition of revenue of PC Unit and PC Equipment which met specific risk-based criteria; and

• assessing whether the disclosures of revenue in the financial statements meet the requirements of the prevailing accounting standards.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Capitalisation of development expenditures	
Refer to note 14 to the consolidated financial statements and the accounting policies on pages 176 to 177.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. We identified capitalisation of development expenditures as a key audit matter because significant management judgement is involved in the determination of whether the Group meets the capitalisation criteria and the amount that can be capitalised with reference to the Group's technical and commercial feasibility of product or technique developed.	Our audit procedures to assess capitalisation of development expenditures included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls in relation to capitalisation of development expenditures including the approval of establishment of and budget of the project, assessment of capitalisation of development expenditure and the final acceptance of the project; • assessing the Group's accounting policies in relation to capitalisation of development expenditures with reference to the requirements of the prevailing accounting standards; • inquiring research and development employees, on a sample basis, to obtain an understanding of technical and commercial feasibility of the product or technique developed; and to understand if any project was suspended; • inspecting the technical and commercial feasibility analysis on a sample basis, and assessing whether the analysis was appropriately prepared; • on a sample basis, inspecting the supporting documents of capitalised development expenditures, including reports of staff salaries on development activities, material pick-up notes and expense reimbursement forms to assess the accuracy of capitalised development expenditures; and • assessing whether the disclosures of development expenditures in the financial statements meet the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th colspan="2">Expected credit loss allowance for trade debtors</th></tr>
<tr><td colspan="2">Refer to note 22 to the consolidated financial statements and the accounting policies on pages 179 to 184.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2021, the Group's trade debtors totalled RMB2,826 million, against which loss allowance of RMB198 million for expected credit losses was recorded.

Management measures loss allowance at an amount equal to lifetime expected credit loss, which takes into account loss given default, probability of default, and forward-looking information. According to the past experience of the Group, the credit loss patterns of different customer groups are significantly different. The Group clusters customers into customer groups based on a number of factors and the Group estimates loss allowance for trade debtors for each of the customer groups with similar loss patterns.

We identified the loss allowance for trade debtors as a key audit matter because trade debtors and loss allowance are material to the Group's financial statements and because the recognition of expected credit loss is inherently subjective and requires significant management judgement.</td><td>Our audit procedures to assess the expected credit loss allowance for trade debtors included the following:

• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, segmentation of customer groups for trade debtors and customer credit risk assessment, estimate of expected credit loss and making of related loss allowance;

• evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;

• obtaining an understanding of the key data and assumptions adopted by the management in the expected credit loss model, including the basis of segmentation of the trade debtors based on customer credit risk characteristics, aging of trade debtors, historical default data, and the assumptions involved in management's estimated loss rates;

• assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of category of customer groups and aging of debtors by comparing a sample of individual items with the related goods delivery notes, and obtaining historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

• recalculating the loss allowance, on a sample basis, to assess if this is consistent with the Group's policies.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Valuation of financial assets measured at fair value through profit or loss (FVPL)	
Refer to note 31 to the consolidated financial statements and the accounting policies on pages 173 to 174.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 31 December 2021, the Group's financial assets measured at FVPL represented its unlisted equity investments in Joint Factories as disclosed in note 19 with the aggregate carrying value of RMB1,940 million, which were classified under the fair value hierarchy as level 3. The valuation of the Group's financial assets measured at FVPL is based on valuation models which often require a considerable number of inputs. Where observable data are not readily available, as in the case of all level 3 financial assets measured at FVPL, estimates need to be developed which could involve significant management judgement. The fair value of the Group's financial assets measured at FVPL at 31 December 2021 was assessed by the directors primarily based on valuation reports prepared by a firm of qualified external valuers. We identified assessing the fair value of financial assets measured at FVPL as a key audit matter because of the degree of complexity involved in valuing these financial assets and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the valuation of financial assets measured at FVPL included the following: • obtaining and inspecting the valuation reports prepared by the external valuers engaged by the directors and on which the directors' assessment of the fair values of the Group's financial assets measured at FVPL were based; • assessing the external valuers' qualifications, experience and expertise in the assets being valued and considering their objectivity; • with the assistance of our internal valuation specialists, discussing with the external valuers, without the presence of management, and assessing their valuation methodologies adopted in deriving the fair values of unlisted equity investments; assessing the key assumptions and critical judgements adopted which impacted the valuation by comparing these assumptions and critical judgements with market data, or other publicly available information; and • assessing the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tse, Wong Pui.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2022

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Continuing operations:			
Revenue	4	**3,058,573**	2,510,988
Cost of sales		**(2,203,365)**	(1,598,725)
Gross profit		**855,208**	912,263
Net valuation gains on investment properties	12	**400**	17,186
Other income	5	**45,015**	52,760
Sales and distribution expenses		**(279,664)**	(241,924)
General and administrative expenses		**(335,924)**	(267,742)
Research and development expenses		**(127,397)**	(125,735)
Profit from operations		**157,638**	346,808
Finance costs	6 (a)	**(138,284)**	(122,934)
Fair value changes on financial assets at fair value through profit or loss	31(e)(ii)	**(1,957)**	4,546
Share of profits less losses of associates	18	**(26,461)**	(20,608)
Gains on loss of significant influence in associates	18	**36,477**	60,158
Losses on disposal of financial assets at fair value through profit or loss		**–**	(657)
Gains on disposal of associates		**5,517**	–
Profit before taxation	6	**32,930**	267,313
Income tax	7	**(1,398)**	(47,966)

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Profit from continuing operations		**31,532**	219,347
Discontinued operation:			
Loss from discontinued operation	8	**–**	(2,927)
Profit for the year		**31,532**	216,420
Total comprehensive income for the year		**31,532**	216,420
Attributable to:			
Equity shareholders of the Company		**32,427**	216,420
Non-controlling interests		**(895)**	–
Earnings per share (RMB)			
Basic and diluted (RMB)	11	**0.07**	0.44
– continuing operations		**0.07**	0.45
– discontinued operation		**–**	(0.01)

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in RMB)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Investment properties	12	**250,915**	270,935
Property, plant and equipment	13	**2,287,564**	1,892,145
Intangible assets	14	**307,239**	275,171
Right-of-use assets	15	**626,776**	466,350
Goodwill	16	**7,799**	–
Interest in associates	18	**296,192**	354,750
Financial assets at fair value through profit or loss	19	**1,939,836**	1,912,755
Use of restricted bank deposits	23	**5,004**	–
Deferred tax assets	29(b)	**49,145**	35,383
Total non-current assets		**5,770,470**	5,207,489
Current assets			
Inventories	20	**339,052**	257,937
Trade and other receivables	22	**2,904,972**	2,690,691
Use of restricted bank deposits	23	**307,886**	206,763
Cash and cash equivalents	24	**540,656**	828,288
Total current assets		**4,092,566**	3,983,679
Total assets		**9,863,036**	9,191,168
Current liabilities			
Short-term borrowings	25(a)	**1,290,454**	1,970,713
Trade and other payables	26	**2,295,114**	1,587,698
Contract liabilities	21	**118,299**	293,172
Lease liabilities	27	**41,999**	32,898
Deferred income	28	**5,467**	4,847
Current taxation	29(a)	**9,420**	16,740
Total current liabilities		**3,760,753**	3,906,068
Net current assets		**331,813**	77,611
Total assets less current liabilities		**6,102,283**	5,285,100

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021
(Expressed in RMB)

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities			
Long-term borrowings	25(b)	**1,600,000**	1,012,578
Lease liabilities	27	**153,946**	37,866
Deferred income	28	**80,158**	79,976
Deferred tax liabilities	29(b)	**25,250**	16,038
Total non-current liabilities		**1,859,354**	1,146,458
NET ASSETS		**4,242,929**	4,138,642
CAPITAL AND RESERVES	30		
Share capital		**487,639**	487,639
Reserves		**3,662,904**	3,651,003
Total equity attributable to equity shareholders of the Company		**4,150,543**	4,138,642
Non-controlling interests		**92,386**	–
TOTAL EQUITY		**4,242,929**	4,138,642

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in RMB)

	Note	Share capital (note 30(b)) RMB'000	Treasury shares (note 30(b)(ii)) RMB'000	Capital reserve (note 30(c)(i)) RMB'000	Statutory surplus reserve (note 30(c)(ii)) RMB'000	Fair value reserve (non-recycling) (note 30(c)(iii)) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2020		487,639	–	2,304,603	140,418	2,023	1,231,358	4,166,041	–	4,166,041
Changes in equity for 2020										
Profit for the year		–	–	–	–	–	216,420	216,420	–	216,420
Other comprehensive income		–	–	–	–	(4,898)	4,898	–	–	–
Total comprehensive income		–	–	–	–	(4,898)	221,318	216,420	–	216,420
Appropriation for surplus reserve	30(c)(ii)	–	–	–	7,084	–	(7,084)	–	–	–
Appropriation of profit	30(d)	–	–	–	–	–	(243,819)	(243,819)	–	(243,819)
Balance at 31 December 2020 and 1 January 2021		487,639	–	2,304,603	147,502	(2,875)	1,201,773	4,138,642	–	4,138,642
Changes in equity for 2021										
Profit for the year		-	-	-	-	-	32,427	32,427	(895)	31,532
Other comprehensive income		-	-	-	-	(1,763)	1,763	-	-	-
Total comprehensive income		-	-	-	-	(1,763)	34190	32,427	(895)	31,532
Acquisition of a subsidiary		-	-	-	-	-	-	-	93,281	93,281
Appropriation for surplus reserve	30(c)(ii)	-	-	-	317	-	(317)	-	-	-
Treasury shares	30(b)(ii)	-	(20,526)	-	-	-	-	(20,526)	-	(20,526)
Appropriation of profit	30(d)	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021		487,639	(20,526)	2,304,603	147,819	(4,638)	1,235,646	4,150,543	92,386	4,242,929

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**32,930**	265,450
Adjustments for:			
Depreciation and amortisation	6(c)	**245,558**	229,662
Losses on disposal of property, plant and equipment and right-of-use assets	5	**2,690**	1,273
Impairment losses	6(c)	**94,232**	43,708
Amortisation of government grants	28	**(4,936)**	(4,813)
Finance costs	6(a)	**138,284**	123,116
Gain on disposal of subsidiaries		**–**	(9,157)
Share of profits less losses of associates	18	**26,461**	20,608
Gains on disposal of associates		**(5,517)**	–
Losses on disposal of financial assets at fair value through profit or loss		**–**	657
Gains on loss of significant influence in associates	18	**(36,477)**	(60,158)
Fair value changes on financial assets at fair value through profit or loss	31(e)(ii)	**1,957**	(4,546)
Dividend income	5	**(8,966)**	(3,960)
Net valuation gains on investment properties	12	**(400)**	(17,186)
Losses on disposal of investment properties	5	**961**	3,603
Changes in working capital:			
Increase in inventories		**(73,596)**	(26)
Increase in trade and other receivables		**(347,073)**	(299,481)
Increase/(decrease) in trade and other payables		**940,947**	(364,136)
Decrease in contract assets		**–**	197,666
(Decrease)/increase in contract liabilities		**(175,729)**	57,300
Increase in deferred income	28	**7,754**	45,840
Cash generated from operations		**839,080**	225,420
Income tax paid		**(31,806)**	(43,606)
Net cash generated from operating activities		**807,274**	181,814

The notes on pages 168 to 259 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment, right-of-use assets and intangible assets		**(630,596)**	(501,612)
Payment for purchase of financial assets at fair value through profit or loss		**(200,205)**	(696,845)
Payment for interest in associates		**(10,245)**	(32,125)
Proceeds from sales of financial assets at fair value through profit or loss		**164,000**	598,818
Proceeds from disposal of property, plant and equipment		**2,475**	1,921
Proceeds from sales of interest in associates		**31,004**	–
Net proceeds from sales of investments in subsidiaries		**60,125**	186,881
Proceeds from disposal of investment properties		**13,575**	28,610
Dividends received		**33,466**	29,530
Proceeds from other investing activities		**11,307**	17,748
Net cash used in investing activities		**(525,094)**	(367,074)
Financing activities			
Proceeds from loans and borrowings	24(b)	**1,773,299**	2,950,622
Repayment of loans and borrowings	24(b)	**(2,143,778)**	(2,601,872)
Interest paid	24(b)	**(127,283)**	(137,770)
Payment for dividends		**–**	(243,819)
Payment for purchase of treasury shares	30(b)(ii)	**(20,526)**	–
Capital element of lease rentals paid	24(b)	**(29,492)**	(38,850)
Interest element of lease rentals paid	24(b)	**(8,604)**	(4,725)
Net cash used in financing activities		**(556,384)**	(76,414)
Net decrease in cash and cash equivalents		**(274,204)**	(261,674)
Effect of foreign exchange rate changes		**(13,428)**	5,212
Cash and cash equivalents at the beginning of year		**828,288**	1,084,750
Cash and cash equivalents at the end of year	24	**540,656**	828,288

The notes on pages 168 to 259 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in RMB 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, the PRC.

The Company and its subsidiaries (together, "the Group") are principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing ("PC Unit Manufacturing"), prefabricated concrete equipment manufacturing ("PC Equipment Manufacturing") and Modular Integrated Products Manufacturing, which was launched in 2021. Before sale of 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. in September 2020, it was 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Financial Reporting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties (see note 2(i)) and investments in debt and equity securities (see note 2(g)), which are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendment to IFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform-phase 2

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2 (r) or(s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(m)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's statement of financial position, investments in associates and joint venture are accounted for under the equity method, unless classified as held for sale (or included in a disposal Group that is classified as held for sale).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31 (e). These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in debt and equity securities (Continued)

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(w)(vi)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(w)(v).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(w)(iv).

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 2(m)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and buildings	20 – 25 years
Machinery equipment	10 – 12 years
Electronic equipment	3 – 5 years
Motor vehicles	4 – 8 years
Office furniture	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(m)).

Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	5 years
Capitalised development costs	5 – 10 years
Technology	10 years

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (other than goodwill) (Continued)

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased Assets (Continued)

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(m)(ii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(i).

The initial fair value of refundable rental deposits is accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(g)(i), 2(w)(vi) and 2(m)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leased Assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(w)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(l)(i), then the Group classifies the sub-lease as an operating lease.

(m) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and use of restricted bank deposits) and contract assets as defined in IFRS 15 (see note 2(o)).

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade debtors and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial assets measured at amortised cost and contract assets (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset in PC Unit Manufacturing and Modular integrated products manufacturing segments become 5 years past due and the asset in PC Equipment Manufacturing segment becomes 3 years past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

- Investment properties
- Property, plant and equipment;
- Intangible assets;
- Right-of-use assets;
- Goodwill
- Interest in associates; and
- Investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories and other contract costs (Continued)

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(n)(i)), property, plant and equipment (see note 2(j)) or intangible assets (see note 2(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(w).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(w)).

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including allowance for credit losses (see note 2(m)(i)).

Insurance reimbursement is recognised and measured in accordance with note 2(v)(i).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(y)).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as at the grant date, and recorded in the capital reserve until each unlocking date and record it under reserves attributable to equity shareholders of the Company. The proceeds received from the employees is firstly recorded as other payables.

During the vesting period, the number of restricted share that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of restricted share that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the restricted share is released (when it is included in the amount recognised in share capital for the shares issued) or the restricted share is forfeited or cancelled (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer or the lessee has the right to use the asset at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of PC units, PC equipments and Modular integrated products

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on the completion of a physical proportion of the contract work.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(v)(ii).

(iii) Rendering of PC unit designing service

The Group recognises revenue from rendering of PC unit designing services over the period of the service.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue and other income (Continued)

(iv) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(v) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

(vii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other revenues.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(aa) Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(bb) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Useful lives of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

(b) Sources of estimation uncertainty

Notes 12 and 31 contain information about the assumptions and their risk factors relating to valuation of investment properties and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy note 2(w), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached, the related contract assets do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

3 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (Continued)

(ii) Net realisable value of inventories

As described in policy note 2(n), net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of receivables and contract assets

As described in policy note 2(m), the Group's management determines the loss allowance for expected credit losses on trade debtors, bills receivable, other receivables and contract assets based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions, all of which involve a significant degree of management judgement. The Group's management reassesses the loss allowance at each reporting period end. If the current conditions of the debtors or the future economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(iv) Determining the lease term

As explained in policy note 2(l), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, manufacturing and sale of PC units, PC equipments and Modular integrated products. Before the Group disposed 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. in September 2020, it also carried out construction activities. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
Continuing operations:		
– Sales of PC units	**2,694,505**	2,419,235
– Sales of PC equipments	**282,079**	91,753
– Sales of Modular integrated products	**81,989**	–
	3,058,573	2,510,988
Discontinued operation:		
– Revenue from construction contracts	**–**	102,862
	3,058,573	2,613,850

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

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

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, being (i) PC Unit Manufacturing segment, (ii) PC Equipment Manufacturing segment, and (iii) Modular Integrated Products Manufacturing segment, which was launched in 2021. Before the Group disposed 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. in September 2020, it also carried out construction activities, which constituted a separate segment. No operating segments have been aggregated to form the following reportable segments.

Continuing operating segment

- PC Unit Manufacturing and PC Unit designing services: this segment primarily derives its revenue from the design, manufacturing and sale of PC units.

- PC Equipment Manufacturing: this segment primarily derives its revenue from the manufacturing and sale of PC equipments which producing PC units and the licensing of using the Group's patents and brands.

- Modular Integrated Products Manufacturing: this segment primarily derives its revenue from the design, manufacturing and sale of Modular integrated products.

Discontinued operating segment

- Construction contracts: this segment primarily derive its revenue from construction activities.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is "EBIT" i.e. "earnings before interest and taxes.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	Year ended 31 December 2021			
	PC Unit Manufacturing RMB'000	PC Equipment Manufacturing RMB'000	Modular integrated products manufacturing RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Point in time	2,694,505	282,079	81,989	3,058,573
Over time	–	–	–	–
Revenue from external customers	2,694,505	282,079	81,989	3,058,573
Inter-segment revenue	16,343	–	–	16,343
Reportable segment revenue	2,710,848	282,079	81,989	3,074,916
Reportable segment profit	169,189	85,394	(37,508)	217,075
Finance costs	(137,891)	(391)	(2)	(138,284)
Depreciation and amortisation for the year	(235,324)	(5,281)	(4,953)	(245,558)
Reportable segment assets	6,994,720	240,933	412,477	7,648,130
Capital expenditure	552,297	127	78,172	630,596
Reportable segment liabilities	2,461,541	169,021	120,213	2,750,775

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended 31 December 2020				
	Continuing operations			Discontinued operation	
	PC Unit Manufacturing RMB'000	PC Equipment Manufacturing RMB'000	Subtotal RMB'000	Construction contracts RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition					
Point in time	2,419,235	91,753	2,510,988	–	2,510,988
Over time	–	–	–	102,862	102,862
Revenue from external customers	2,419,235	91,753	2,510,988	102,862	2,613,850
Inter-segment revenue	–	–	–	135,184	135,184
Reportable segment revenue	2,419,235	91,753	2,510,988	238,046	2,749,034
Reportable segment profit/(loss)	425,208	(3,273)	421,935	(11,020)	410,915
Finance costs	(122,934)	–	(122,934)	(182)	(123,116)
Depreciation and amortisation for the year	(224,109)	(4,087)	(228,196)	(1,466)	(229,662)
Reportable segment assets	6,541,305	382,358	6,923,663	–	6,923,663
Capital expenditure	499,067	2,321	501,388	224	501,612
Reportable segment liabilities	1,955,332	259,236	2,214,568	–	2,214,568

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	2021 RMB'000	2020 RMB'000
Revenue		
Continuing operations:		
Reportable segment revenue	3,074,916	2,510,988
Elimination of inter-segment revenue	(16,343)	–
Discontinued operations:		
Reportable segment revenue	–	238,046
Elimination of inter-segment revenue	–	(135,184)
Consolidated revenue	3,058,573	2,613,850
Profit		
Total reportable segment profit	217,075	410,915
Elimination of discontinued operations	–	11,020
Gross profit from continuing operations	217,075	421,935
Elimination of inter-segment profits	(6,011)	–
Finance costs	(138,284)	(122,934)
Unallocated head office and corporate expenses	(62,392)	(79,087)
Fair value changes on financial assets at fair value through profit or loss	(1,957)	4,546
Share of profits less losses of associates	(26,461)	(20,608)
Gains on disposal of associates	5,517	–
Gains on loss of significant influence in associates	36,477	60,158
Loss on disposal of financial assets at fair value through profit or loss	–	(657)
Dividend income	8,966	3,960
Profit before taxation from continuing operations	32,930	267,313

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	2021 RMB'000	2020 RMB'000
Assets		
Reportable segment assets	7,648,130	6,923,663
Elimination of inter-segment assets	(21,122)	–
Interest in associates	296,192	354,750
Financial assets at fair value through profit or loss	1,939,836	1,912,755
Consolidated total assets	9,863,036	9,191,168
Liabilities		
Reportable segment liabilities	2,750,775	2,214,568
Elimination of inter-segment liabilities	(21,122)	–
Current loans	1,290,454	1,907,488
Non-current loans	1,600,000	930,470
Consolidated total liabilities	5,620,107	5,052,526

(ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the non-current assets is based on the physical location of the assets. All of the non-current assets which are commonly used by the Group are physically located in the PRC.

5 OTHER INCOME

	2021 RMB'000	2020 RMB'000
Continuing operations:		
Government grants (note)	30,958	48,059
Operating lease income from rent of investment properties	8,599	6,131
Losses on disposal of property, plant and equipment and right-of-use assets	(2,690)	(1,082)
Losses on disposal of investment properties	(961)	(3,603)
Gains on disposal of other financial assets	272	3,244
Dividend income	8,966	3,960
Others	(129)	(3,949)
	45,015	52,760
Discontinued operation:		
Government grants (note)	–	414
Losses on disposal of property, plant and equipment	–	(191)
Others	–	–
	–	223
	45,015	52,983

Note: Government grants mainly represent operating subsidies and amortisation of government grants for development and construction of property, plant and equipment (note 28). There were no unfulfilled conditions and other contingencies attached to these grants.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2021 RMB'000	2020 RMB'000
Continuing operations:		
Interest on bank loans and other borrowings	127,086	137,808
Interest on lease liabilities	8,604	4,725
Interest income	(10,834)	(14,387)
Net foreign exchange loss/(gain)	13,428	(5,212)
	138,284	122,934
Discontinued operation:		
Interest on bank loans and other borrowings	–	300
Interest income	–	(118)
	–	182
	138,284	123,116

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs:

	2021 RMB'000	2020 RMB'000
Continuing operations:		
Salaries, wages, bonuses and other benefits	425,064	429,226
Contributions to defined contribution retirement plan	22,002	2,174
	447,066	431,400
Discontinued operation:		
Salaries, wages, bonuses and other benefits	–	3,279
Contributions to defined contribution retirement plan	–	51
	–	3,330
	447,066	434,730

Staff costs includes remuneration of directors and senior management (note 9 and note 10).

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Company's and its subsidiaries' contributions made to the Schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the Schemes.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items:

	2021 RMB'000	2020 RMB'000
Continuing operations:		
Amortisation		
– intangible assets (note 14)	**35,657**	29,233
Depreciation		
– property, plant and equipment (note 13)	**157,098**	157,738
– right-of-use assets (note 15)	**52,803**	41,225
Impairment losses		
– trade and other receivables and contract assets	**93,660**	30,989
– inventories	**572**	7,753
Auditors' remuneration		
– audit services	**9,510**	2,980
– non-audit services	**150**	150
Cost of inventories	**1,365,423**	986,252
Discontinued operation:		
Amortisation		
– intangible assets (note 14)	**–**	1,350
Depreciation		
– property, plant and equipment (note 13)	**–**	116
Impairment losses		
– trade and other receivables and contract assets	**–**	4,965
Auditors' remuneration		
– audit services	**–**	75

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Continuing operations:

(i) Taxation in the consolidated statements of comprehensive income represents:

	2021 RMB'000	2020 RMB'000
Current tax – PRC income tax		
Provision for the year	15,602	54,505
Deferred tax		
Origination and reversal of temporary differences	(14,204)	(6,539)
	1,398	47,966

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Profit before taxation	32,930	267,313
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note (i))	8,233	66,828
Tax effect of tax concessions (note (ii))	(7,970)	(36,451)
Tax effect of non-deductible expenses	18,524	11,330
Share of profits less losses of associates	6,615	5,152
Impact on loss of significant influence in associates	(5,935)	(11,737)
Temporary differences and tax losses for which no deferred tax assets was recognised	29,061	58,428
Utilisation of previously unrecognised tax losses	(4,478)	(5,758)
Tax effect of non-taxable income	(4,803)	(13,689)
Additional deduction for qualified research and development expenses (note (iii))	(37,849)	(26,137)
Actual income tax expense	1,398	47,966

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(b) Discontinued operation:

(i) Taxation in the consolidated statements of comprehensive income represents:

	2020 RMB'000
Current tax – PRC income tax	
Provision for the year	–
Deferred tax	
Origination and reversal of temporary differences	1,064
	1,064

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 RMB'000
Loss before taxation	(1,863)
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note (i))	(466)
Tax effect of tax concessions (note (ii))	–
Tax effect of non-deductible expenses	(1,032)
Temporary differences and tax losses for which no deferred tax assets was recognised	5,741
Additional deduction for qualified research and development expenses (note (iii))	(3,179)
Actual income tax expense	1,064

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

(b) Discontinued operation: (Continued)

(ii) Reconciliation between tax expense and accounting profit at applicable tax rates: (Continued)

Notes:

(i) Under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

(ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15% for the years from 2021 to 2023.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and certain of its subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending 31 December 2021.

(iii) Under the income tax law and its relevant regulations, a 75% additional tax deduction is allowed for qualified research and development expenditure in 2020 and 100% additional tax deduction is allowed for qualified research and development expenditure in 2021.

8 DISCONTINUED OPERATION

Upon completion of the disposal of 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. (湖南遠大建工股份有限公司) on 30 September 2020, the Group ceased to hold any equity interest in Hunan Broad Construction & Industrial Co., Ltd., it ceased to be a subsidiary of the Group, and its financial statements ceased to be consolidated into the financial statements of the Group.

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2021

	Directors' fee RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Share incentive scheme RMB'000	Total RMB'000
Chairman						
Zhang Jian	–	600	–	21	–	621
Executive directors						
Tang Fen	–	301	600	24	–	925
Shi Donghong	–	294	500	24	–	818
Zhang Kexiang	–	248	225	16	–	489
Tan Xinming	–	238	–	34	–	272
Non-executive directors	–	–	–	–	–	–
Zhang Quanxun	–	–	–	–	–	–
Hu Keman	–	–	–	–	–	–
Independent non-executive directors						
Li Zhengnong	80	–	–	–	–	80
Chen Gongrong	80	–	–	–	–	80
Wang Jiaxin	125	–	–	–	–	125
Zhao Zhengting	80	–	–	–	–	80
Supervisors						
Zhang Mingxin	–	161	20	16	–	197
Li Gen	–	172	80	15	–	267
Liu Jing	–	240	50	24	–	314
	365	2,254	1,475	174	–	4,268

9 DIRECTORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020

	Directors' fee RMB'000	Salaries, allowances and other benefits RMB'000	Discretionary bonuses RMB'000	Contributions to retirement scheme RMB'000	Share incentive scheme RMB'000	Total RMB'000
Chairman						
Zhang Jian	–	600	–	7	–	607
Executive directors						
Tang Fen	–	338	542	10	–	890
Shi Donghong	–	295	552	6	–	853
Zhang Kexiang	–	310	98	4	–	412
Tan Xinming	–	861	250	13	–	1,124
Independent non-executive directors						
Li Zhengnong	80	–	–	–	–	80
Chen Gongrong	80	–	–	–	–	80
Wang Jiaxin	133	–	–	–	–	133
Zhao Zhengting	47	–	–	–	–	47
Supervisors						
Zhang Mingxin	–	147	20	8	–	175
Li Gen	–	142	25	6	–	173
Liu Jing	–	179	80	10	–	269
	340	2,872	1,567	64	–	4,843

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

In 2021, of the five individuals with the highest emoluments, four are directors whose emoluments are disclosed in note 9 (2020: five). The aggregate of the emoluments in respect of the other one individual of 2021 are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and other benefits	1,304	–
Discretionary bonuses	–	–
Contributions to retirement scheme	73	–
Share incentive scheme	–	–
	1,377	–

The emoluments of the non-director/supervisor employees among the five highest paid individuals are within the following bands:

	2021 Number of individuals	2020 Number of individuals
Nil – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	1	–
RMB1,500,001 – RMB3,000,000	–	–

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB32,427 thousand (2020: RMB216,420 thousand) and the weighted average number of shares of 487,562,222 (2020: 487,639,400), calculated as follows:

Weighted average number of ordinary shares

	2021 No. of shares	2020 No. of shares
Issued ordinary shares at 1 January	**487,639,400**	487,639,400
Effect of treasury shares repurchased (note 30(b)(ii))	**(77,178)**	–
Weighted average number of ordinary shares	**487,562,222**	487,639,400

There were no potential dilutive ordinary shares during the year and therefore dilutive earnings per share are the same as the basic earnings per share.

12 INVESTMENT PROPERTIES

	Commercial real estate RMB'000
Balance at 1 January 2020	310,169
Fair value adjustment	17,186
Disposals	(56,420)
Balance at 31 December 2020	270,935
Balance at 1 January 2021	**270,935**
Fair value adjustment	**400**
Disposals	**(20,420)**
Balance at 31 December 2021	**250,915**

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.

12 INVESTMENT PROPERTIES (CONTINUED)

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

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 3 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	13,587	7,764
After 1 year but within 2 years	12,406	8,624
After 2 year but within 3 years	10,053	8,386
After 3 year but within 4 years	8,059	6,947
After 4 year but within 5 years	5,652	6,281
After 5 years	10,227	19,804
	59,984	57,806

13 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 2020	839,103	1,301,639	26,053	27,183	19,904	55,259	2,269,141
Additions	10,162	26,736	2,002	5,061	2,255	252,553	298,769
Transferred from construction in progress	18,490	18,182	–	–	678	(37,350)	–
Disposals	–	(6,386)	(1,721)	(855)	(708)	–	(9,670)
Disposal of discontinued operation	–	(118)	(449)	(1,348)	(1)	–	(1,916)
Balance at 31 December 2020	867,755	1,340,053	25,885	30,041	22,128	270,462	2,556,324
Additions	**6,313**	**53,184**	**2,345**	**1,797**	**652**	**395,418**	**459,709**
Transferred from construction in progress	**198,017**	**106,320**	**–**	**–**	**–**	**(304,337)**	**–**
Acquired in business combination (note 16)	**–**	**100,916**	**1,596**	**225**	**–**	**–**	**102,737**
Disposals	**–**	**(8,263)**	**(512)**	**(3,638)**	**(714)**	**–**	**(13,127)**
Balance at 31 December 2021	**1,072,085**	**1,592,210**	**29,314**	**28,425**	**22,066**	**361,543**	**3,105,643**
Accumulated depreciation:							
Balance at 1 January 2020	(82,827)	(386,547)	(16,565)	(12,949)	(13,359)	–	(512,247)
Depreciation charge for the year	(33,765)	(119,521)	(2,959)	(1,783)	(1,505)	–	(159,533)
Written back on disposals	–	3,703	1,575	755	665	–	6,698
Written back on disposal of discontinued operation	–	67	406	429	1	–	903

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
Balance at 31 December 2020	(116,592)	(502,298)	(17,543)	(13,548)	(14,198)	–	(664,179)
Depreciation charge for the year	(30,271)	(123,239)	(2,917)	(4,477)	(1,184)	–	(162,088)
Written back on disposals	–	3,861	409	3,258	660	–	8,188
Balance at 31 December 2021	(146,863)	(621,676)	(20,051)	(14,767)	(14,722)	–	(818,079)
Net book value:							
Balance at 31 December 2021	925,222	970,534	9,263	13,658	7,344	361,543	2,287,564
Balance at 31 December 2020	751,163	837,755	8,342	16,493	7,930	270,462	1,892,145

As at 31 December 2021, property, plant and equipment with carrying amounts of RMB309,878 thousand (2020: RMB476,389 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 25).

As at 31 December 2021, the Group was applying for certificates of ownership for certain properties with carrying amounts RMB19,700 thousand (2020: RMB20,275 thousand). The directors of the Group are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

14 INTANGIBLE ASSETS

	Software RMB'000	Capitalised development costs RMB'000	Technology RMB'000	Total RMB'000
Cost:				
Balance at 1 January 2020	31,866	285,877	–	317,743
Additions	1,301	55,127	–	56,428
Disposal of discontinued operation	–	(18,006)	–	(18,006)
Balance at 31 December 2020	33,167	322,998	–	356,165
Balance at 1 January 2021	**33,167**	**322,998**	**–**	**356,165**
Additions	**946**	**62,448**	**–**	**63,394**
Acquired in business combination (note 16)	**–**	**–**	**7,910**	**7,910**
Balance at 31 December 2021	**34,113**	**385,446**	**7,910**	**427,469**
Accumulated amortisation:				
Balance at 1 January 2020	(14,280)	(40,705)	–	(54,985)
Amortisation for the year	(4,291)	(27,206)	–	(31,497)
Written back on disposal of discontinued operation	–	5,488	–	5,488
Balance at 31 December 2020	(18,571)	(62,423)	–	(80,994)
Balance at 1 January 2021	**(18,571)**	**(62,423)**	**–**	**(80,994)**
Amortisation for the year	**(4,483)**	**(34,483)**	**(270)**	**(39,236)**
Balance at 31 December 2021	**(23,054)**	**(96,906)**	**(270)**	**(120,230)**
Net book value:				
Balance at 31 December 2021	**11,059**	**288,540**	**7,640**	**307,239**
Balance at 31 December 2020	14,596	260,575	–	275,171

15 RIGHT-OF-USE ASSETS

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

	Note	2021 RMB'000	2020 RMB'000
Land use rights, carried at depreciated cost	(i)	**439,997**	393,263
Plant and buildings, carried at depreciated cost	(ii)	**186,779**	73,087
		626,776	466,350

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

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Land use rights	**9,753**	7,797
Plant and buildings	**43,050**	33,428
	52,803	41,225
Expense relating to short-term leases	**8,162**	7,990

During the year, additions to right-of-use assets were RMB210 million. This amount included the purchase of land use rights of RMB56 million and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 24 (c) and 27, respectively.

15 RIGHT-OF-USE ASSETS (CONTINUED)

(1) Land use rights

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

As at 31 December 2021, certain land use rights with carrying amounts of RMB184,917 thousand (2020: RMB189,291 thousand) were pledged as collateral for certain bank loans and other borrowings (see note 25).

(2) Plant and buildings

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

16 GOODWILL AND BUSINESS COMBINATION

On 23 August 2021, the Company injected an additional capital of RMB15,000 thousand into Henan Xinpu Broad Homes Residential Industry Co., Ltd. ("Xinpu Broad Homes"), a previously fair-value-measured joint factory. The Company's interest in Xinpu Broad Homes increased from 35.00% to 42.06% and obtained control over it. Xinpu Broad Homes became a subsidiary of the Company. The purpose of this transaction is to broaden the Group's directly-controlled PC units business in Henan province.

Immediately before the additional capital injection by the Company, the fair value of the Company's investment in Xinpu Broad Homes was RMB60,504 thousand. At the acquisition date, the fair value of the identifiable assets acquired and liabilities assumed in respect of the acquisition amounted to RMB271,178 thousand and RMB110,183 thousand respectively, which were determined by the management based on a valuation performed by an independent appraiser. The non-controlling interest in Xinpu Broad Homes was measured at their proportionate share of the subsidiary's net identifiable assets with the amount of RMB93,281 thousand.

A goodwill of RMB7,799 thousand was recognised as a result of this transaction. As at the end of the financial reporting period, an impairment test was performed and no impairment loss was recorded.

From the acquisition date to 31 December 2021, Xinpu Broad Homes contributed a total of RMB38,851 thousand to the consolidated revenue and a loss of RMB1,544 thousand to the consolidated comprehensive income, including the impact of the amortisation of purchase price allocation, to the consolidated profit of the Group for the year ended 31 December 2021. Had the acquisition occurred on 1 January 2021, management estimates that, on a pro forma basis, consolidated revenue of the Group for the year ended 31 December 2021 would have been RMB142,544 thousand and consolidated profit would have been RMB13,567 thousand.

(Expressed in RMB unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries as at 31 December 2021 which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interests Held by the Company	Held by the subsidiary	Principal activities
Hunan Broad Engineering Design Co., Ltd. (湖南遠大工程設計有限公司) (i)	The PRC	RMB10,000,000/ RMB3,000,000	100%	–	Engineering design and consulting service
Ningxiang Broad Homes Industrial Co., Ltd. (寧鄉遠大住宅工業有限公司) (i)	The PRC	RMB60,000,000/ RMB60,000,000	100%	–	PC unit manufacturing
Xiangtan Broad Homes Industrial Co., Ltd. (湘潭遠大住宅工業有限公司) (i)	The PRC	RMB60,000,000/ RMB60,000,000	100%	–	PC unit manufacturing
Yueyang Broad Homes Industrial Co., Ltd. (岳陽遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Changsha Broad Homes Industrial Anhui Co., Ltd. (長沙遠大住宅工業安徽有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Changsha Broad Homes Industrial (Jiangsu) Co., Ltd. (長沙遠大住宅工業(江蘇)有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Broad Homes Industrial (Tianjin) Co., Ltd. (遠大住宅工業(天津)有限公司) (i)	The PRC	RMB100,000,000/ RMB100,000,000	100%	–	PC unit manufacturing
Broad Homes Industrial (Hangzhou) Co., Ltd. (遠大住宅工業(杭州)有限公司) (i)	The PRC	RMB100,000,000/ RMB100,000,000	100%	–	PC unit manufacturing
Broad Homes Industrial (Shanghai) Co., Ltd. (遠大住宅工業(上海)有限公司) (i)	The PRC	RMB200,000,000/ RMB119,450,841	100%	–	PC unit manufacturing
Chenzhou Broad Homes Industrial Co., Ltd. (郴州遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Changsha Broad Bathroom Co., Ltd. (長沙遠大整體浴室有限公司) (i)	The PRC	RMB10,000,000/ RMB10,000,000	100%	–	Manufacture of bathroom
Guangzhou Broad Homes Industrial Co., Ltd. (廣州遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	Cement product, PC unit and other construction materials manufacturing
Changsha Broad Homes Industrial Fuyang Co., Ltd. (長沙遠大住宅工業阜陽有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing
Lu An Broad Homes Industrial Co., Ltd. (六安遠大住宅工業有限公司) (i)	The PRC	RMB300,000,000/ RMB30,000,000	–	100%	Modular integrated products manufacturing
Changsha Broad Homes Intelligent Technology Co., Ltd. (長沙遠大住工智能科技有限公司) (i)	The PRC	RMB30,000,000/ RMB7,000,000	100%	–	Research, development and transfer of intelligent technology
Broad Homes Industrial (Nanjing) Co., Ltd. (遠大住宅工業(南京)有限公司) (i)	The PRC	RMB200,000,000/ RMB75,721,939	100%	–	PC unit manufacturing
Wuhan Broad Homes Industrial Co., Ltd. (武漢遠大住宅工業有限公司) (i)	The PRC	RMB300,000,000/ RMB248,804,955	100%	–	PC unit manufacturing
Shenzhen Broad Homes Industrial Co., Ltd. (深圳遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB30,000,000	100%	–	PC unit manufacturing

(Expressed in RMB unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interests Held by the Company	Proportion of ownership interests Held by the subsidiary	Principal activities
Huizhou Broad Homes Industrial Co., Ltd. (惠州遠大住宅工業有限公司) (i)	The PRC	RMB30,000,000/ RMB26,592,418	–	100%	PC unit manufacturing
Changsha Broad Homes Mofang Technology Co., Ltd. (長沙遠大魔方科技有限公司) (i)	The PRC	RMB500,000,000/ RMB134,633,269	100%	–	Modular integrated products manufacturing
Hunan Broad Homes Intelligent Equipment Co., Ltd. (湖南遠大住工智能裝備有限公司) (i)	The PRC	RMB30,000,000/ –	100%	–	Manufacturing and sales of intelligent equipment
Changshu Broad Homes Industrial Technology Co., Ltd. (遠大住宅工業科技(常熟)有限公司) (i)	The PRC	RMB100,000,000/ RMB19,450,841	–	100%	PC unit manufacturing
Zhengzhou Broad Homes Industrial Technology Co., Ltd. (鄭州遠大住宅工業科技有限公司) (i)	The PRC	RMB200,000,000/ RMB75,721,939	100%	–	PC unit manufacturing
Jiaozuo Broad Homes Industrial Co., Ltd. (遠大住宅工業(焦作)有限公司) (i)	The PRC	RMB200,000,000/ RMB105,535,925	–	100%	PC unit manufacturing
Broad Homes Industrial Technology (Weifang) Co., Ltd. (遠大住宅工業科技(濰坊)有限公司) (i)	The PRC	RMB200,000,000/ RMB161,234,527	100%	–	PC unit manufacturing
Jiangsu Broad Homes Industrial Technology Co., Ltd. (江蘇遠大住宅工業科技有限公司) (i)	The PRC	RMB200,000,000/ RMB161,234,527	–	100%	PC unit manufacturing
Henan Xinpu Broad Homes Residential Industry Co., Ltd. (河南新蒲遠大住宅工業有限公司) (i) (note 16)	The PRC	RMB112,185,020/ RMB112,185,020	42.06%	–	PC unit manufacturing
Broad Elite Apartment Technology Co., Ltd. (長沙遠大美寓科技有限公司) (i)	The PRC	RMB100,000,000/ –	100%	–	Real estate leasing
Broad Cooperation Investment Co., Ltd. (湖南博絡科迅投資有限公司) (i)	The PRC	RMB100,000,000/ RMB14,710,000	100%	–	Investing
Changsha Lugu Broad Homes Industrial Technology Co., Ltd. (長沙麓谷遠大住宅工業有限公司) (i)	The PRC	RMB100,000,000/ –	100%	–	PC unit manufacturing

Notes:

(i) The English translation of the Company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) The Group disposed 100% equity interest in Hunan Broad Construction & Industrial Co., Ltd. and Hunan Broad Construction Industrial Technology Labor Services Co., Ltd. in September 2020.

(iii) The Group deregistered Chengdu Broad Homes Industrial Technology Co., Ltd during 2021.

All companies comprising the Group have adopted 31 December as their financial year end date.

(Expressed in RMB unless otherwise indicated)

18 INTEREST IN ASSOCIATES

As of 31 December 2021, the Group has interests in 12 associates, none of these associates was individually material to the Group's financial condition or results of operations for the years ended 31 December 2021 and 2020. The following list contains only the particulars of these associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Chengdu Chengtou Broad Construction Technology Co., Ltd.* (成都城投遠大建築科技有限公司)	The PRC	RMB200,000,000/ RMB200,000,000	35%	35%	–	PC unit manufacturing
Chongqing Yulong Broad Homes Industry Co., Ltd.* (重慶渝隆遠大住宅工業有限公司)	The PRC	RMB241,500,000/ RMB241,500,000	39%	39%	–	PC unit manufacturing
Changde Broad Construction Industrial Co., Ltd.* (常德遠大建築工業有限公司)	The PRC	RMB76,561,200/ RMB76,561,200	34%	34%	–	PC unit manufacturing
Henan Broad Tiancheng Homes Industry Co., Ltd.* (河南遠大天成住宅工業股份有限公司)	The PRC	RMB60,000,000/ RMB60,000,000	30%	30%	–	PC unit manufacturing
Shanxi Jiantou Broad Construction Industry Co., Ltd.* (山西建投遠大建築工業股份有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	35%	35%	–	PC unit manufacturing
Shaanxi Investment Broad Construction Industry Co., Ltd.* (陝西投資遠大建築工業有限公司)	The PRC	RMB165,000,000/ RMB165,000,000	33%	33%	–	PC unit manufacturing
Suzhou Yiyuan Homes Technology Co., Ltd.* (蘇州毅遠住宅科技有限公司)	The PRC	RMB80,000,000/ RMB80,000,000	35%	35%	–	PC unit manufacturing
Xinjiang Broad Huamei Construction Industry Co., Ltd.* (新疆遠大華美建築工業有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	35%	35%	–	PC unit manufacturing
Zhangjiajie Broad Homes Industry Co., Ltd.* (張家界遠大住宅工業有限公司)	The PRC	RMB100,000,000/ RMB100,000,000	49%	49%	–	PC unit manufacturing
Hunan Bozhong Investment Development Co., Ltd.* (湖南波中投資发展有限公司)	The PRC	RMB23,800,000/ RMB5,000,000	9.87%	9.87%	–	PC unit manufacturing
Broad Homes Industrial International Co., Ltd.	Hong Kong	HKD20,408,200/ HKD20,408,200	29%	29%	–	PC unit manufacturing
Industrial Park Gro'jec sp. z o.o.	The Republic of Poland	PLN14,000,000/ PLN14,000,000	35%	35%	–	PC unit manufacturing

Note: The Group disposed 100% equity interest in Suzhou Jiasheng Broad Homes Industrial Co., Ltd. in August 2021.

All of the above associates are accounted for using the equity method in 2021 and 2020. 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.

18 INTEREST IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material:

	2021	2020
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**296,192**	354,750
Aggregate amounts of the Group's share of those associates		
Losses from operations	**(26,461)**	(20,608)
Other comprehensive income	**–**	–
Total comprehensive income	**(26,461)**	(20,608)

In 2021, of the total 12 associates, 9 associates have commenced their operations and of which, 3 associates were profit-making. The directors are of the opinion that the accumulated losses incurred in the associates which are in their respective initial operation period or are yet to commence their operations is not considered to be an indication of impairment. Nevertheless, the recoverable amount of the Group's investment in associates, which is the greater of its fair value less costs of disposal and value in use, is estimated by the Group at the end of each year. The valuation techniques are in consistent with those disclosed in note 31. The recoverable amount of respective associates exceed its carrying amount as at 31 December 2021. By considering the factors and estimation above, no impairment loss has been recognised for the Group's interest in associates in 2021 (2020: Nil).

Since 2018, the Company started to implement the "two-level management strategy" for the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory ("Joint Factories").

In order to reallocate the limited management resources and motivate the shareholder(s) other than the Company ("JF Partners") of certain Joint Factories, after negotiation and the consent of the JF Partners, the Company no longer holds the decision-making rights in the key management decisions of these Joint Factories in the board meetings or shareholder's meetings and ceased to appoint directors and to be entitled to nominate directors. Instead, the Company obtained information about the operation and financial performance of these Joint Factories by presenting in the regular meetings of them, the financial data provided quarterly as well as the data generated from the operation of PC-CPS, an intelligent system to manage the operation and production, in case PC-CPS is installed in these Joint Factories.

In 2021, as a result of loss of significant influence over these Joint Factories, a gain of approximately RMB36,477,000 (2020: approximately RMB60,158,000) has been recognised as a result of the remeasurement of three (2020: two) investments reclassified from interest in associates to financial assets at fair value through profit or loss.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss – Equity investment (note 18)	**1,939,836**	1,912,755

20 INVENTORIES

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

	2021 RMB'000	2020 RMB'000
Raw materials	**156,257**	127,783
Work in progress	**73,290**	70,411
Finished goods	**110,353**	59,561
Consignment stock	**357**	972
	340,257	258,727
Less: provision for impairment of inventories	**(1,205)**	(790)
	339,052	257,937

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

21 CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Billings in advance of performance	**118,299**	293,172

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 50% deposit before the manufacturing of PC units, PC equipments and a 85% to 100% deposit before the manufacturing of Modular integrated products.

22 TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade debtors	**2,825,826**	2,422,069
Bills receivable	**132,452**	99,907
Less: allowance for doubtful debts	**(202,338)**	(107,452)
	2,755,940	2,414,524
Other receivables	**45,823**	139,181
Less: allowance for doubtful debts	**(1,196)**	(2,180)
	44,627	137,001
Prepayments	**44,526**	77,959
Prepaid expenses	**–**	954
Value added tax recoverable	**48,379**	49,184
Prepaid income tax	**10,030**	1,146
Others	**1,470**	9,923
	2,904,972	2,690,691

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

22 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:

	2021 RMB'000	2020 RMB'000
Within 1 month	136,806	307,864
Over 1 month but less than 1 year	1,649,099	1,197,393
1 to 2 years	592,911	489,768
2 to 3 years	246,675	207,941
3 to 4 years	81,034	211,558
4 to 5 years	49,415	–
More than 5 years	–	–
	2,755,940	2,414,524

Trade debtors and bills receivable are due within 30 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 31 (a).

As at 31 December 2021, certain trade and other receivables with carrying amount of RMB6,299 thousand (2020: RMB84,433 thousand) was pledged as collateral for certain bank loans and other borrowings (see note 25).

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

	2021 RMB'000	2020 RMB'000
Balance at 1 January	107,452	110,008
Uncollected amounts written off	(1)	(11,370)
Impairment losses recognised	94,487	36,788
Increase in business combination	400	–
Written back on disposal of discontinued operation	–	(27,974)
Balance at 31 December	202,338	107,452

23 USE OF RESTRICTED BANK DEPOSITS

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, and for receivables that have been factored to banks. Upon maturity of the bills payable, maturity of bank deposits or upon full repayment of the receivables, the restriction is released.

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

24 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash at bank	**540,656**	828,288

Cash at bank includes deposits of RMB159,493 thousand (2020: RMB331,455 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 or determinable returns.

24 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2021	2,983,291	70,764	3,054,055
Changes from financing cash flows:			
Proceeds from loans and borrowings	1,773,299	–	1,773,299
Repayments of loans and borrowings	(2,143,778)	–	(2,143,778)
Interest paid	(127,283)	–	(127,283)
Capital element of lease rentals paid	–	(29,492)	(29,492)
Interest element of lease rentals paid	–	(8,604)	(8,604)
Total changes from financing cash flows	(497,762)	(38,096)	(535,858)
Other changes:			
Interest on loans, borrowings and lease liabilities	127,283	8,604	135,887
Increase in lease liabilities from entering into new leases during the year	–	153,886	153,886
Increase in business combination	4,381	14,090	18,471
Decrease in lease liabilities from termination of leases during the year	–	(732)	(732)
Decrease in lease liabilities from modification during the year	–	(12,571)	(12,571)
Non-cash changes	273,261	–	273,261
Total other changes	404,925	163,277	568,202
At 31 December 2021	2,890,454	195,945	3,086,399

24 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 25)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2020	2,618,693	65,546	2,684,239
Changes from financing cash flows:			
Proceeds from loans and borrowings	2,950,622	–	2,950,622
Repayments of loans and borrowings	(2,601,872)	–	(2,601,872)
Interest paid	(137,770)	–	(137,770)
Capital element of lease rentals paid	–	(38,850)	(38,850)
Interest element of lease rentals paid	–	(4,725)	(4,725)
Total changes from financing cash flows	210,980	(43,575)	167,405
Other changes:			
Interest on loans, borrowings and lease liabilities	137,770	4,725	142,495
Increase in lease liabilities from entering into new leases during the year	–	44,068	44,068
Non-cash changes	15,848	–	15,848
Total other changes	153,618	48,793	202,411
At 31 December 2020	2,983,291	70,764	3,054,055

24 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**8,162**	7,990
Within investing cash flows	**56,487**	96,977
Within financing cash flows	**38,096**	43,575
	102,745	148,542

These amounts relate to the following

	2021 RMB'000	2020 RMB'000
Lease rentals paid	**46,258**	51,565
Payment for land use rights	**56,487**	96,977
	102,745	148,542

25 LOANS AND BORROWINGS

(a) Short-term loans and borrowings

	Note	2021 RMB'000	2020 RMB'000
Guaranteed bank loans	(i)	**–**	600,000
Secured bank loans	(ii)	**323,299**	804,433
Unsecured bank loans		**407,693**	341,037
Add: Current portion of non-current loans and borrowings		**559,462**	225,243
		1,290,454	1,970,713

25 LOANS AND BORROWINGS (CONTINUED)

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

(i) Guaranteed bank loans

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

As at 31 December 2020, the Group's current bank loans of RMB550.0 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB400.0 million were also co-guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd.. The Group's current bank loans of RMB50.0 million were guaranteed by the Group's subsidiary Ningxiang Broad Homes Industrial Co., Ltd..

(ii) Secured bank loans

As at 31 December 2021, the Group's current bank loans of RMB180.0 million were secured by plants and buildings with carrying amounts of RMB12.1 million (see note 13) and land use rights with carrying amounts of RMB7.1 million (see note 15) and guaranteed by Mr. Zhang Jian.

As at 31 December 2021, the Group's current bank loans of RMB137.0 million were secured by plants and buildings with carrying amounts of RMB48.2 million (see note 13) and land use rights with carrying amounts of RMB36.5 million (see note 15) of the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd..

As at 31 December 2021, the Group's current bank loans of RMB6.3 million were secured by trade and other receivables with carrying amounts of RMB6.3 million (see note 22).

As at 31 December 2020, the Group's current bank loans of RMB380.0 million were secured by plants and buildings with carrying amounts of RMB12,752 thousand (see note 13) and land use rights with carrying amounts of RMB7,337 thousand (see note 15).

As at 31 December 2020, the Group's current bank loans of RMB340.0 million were secured by plants and buildings with carrying amounts of RMB50,588 thousand (see note 13), land use rights with carrying amounts of RMB37,372 thousand (see note 15) and guaranteed by the Group's subsidiary Broad Homes Industrial (Hangzhou) Co., Ltd..

As at 31 December 2020, the Group's current bank loans of RMB84.4 million were secured by trade and other receivables with carrying amounts of RMB84.4 million (see note 22).

25 LOANS AND BORROWINGS (CONTINUED)

(b) Long-term loans and borrowings

	Note	2021 RMB'000	2020 RMB'000
Guaranteed bank loans	(i)	**870,343**	421,600
Secured bank loans and other borrowings	(ii)	**817,159**	636,221
Unsecured bank loans		**471,960**	180,000
Less: Current portion of non-current loans and borrowings		**(559,462)**	(225,243)
		1,600,000	1,012,578

(i) Guaranteed bank loans

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

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

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

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

As at 31 December 2020, the Group's non-current bank loans of RMB421.6 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB97.0 million was also guaranteed by the Group's subsidiary Broad Homes Industrial (Tianjin) Co., Ltd. and RMB107.8 million was due within one year.

25 LOANS AND BORROWINGS (CONTINUED)

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

(ii) Secured bank loans

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

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

As at 31 December 2020, the Group's non-current bank loans of RMB490.9 million were secured by plants and buildings with carrying amounts of RMB107.1 million, of which RMB290.0 million was also guaranteed by Mr. Zhang Jian and Mrs. Liu Hui and RMB46.0 million was due within one year.

As at 31 December 2020, the Group's non-current borrowings of RMB145.3 million were secured by machinery equipments with carrying amount of RMB275.1 million, plants and buildings with carrying amounts of RMB75.1 thousand, land use rights with carrying amounts of RMB62.2 thousand and guaranteed by the Company, of which RMB63.2 million was due within one year.

26 TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade creditors	**1,379,620**	946,416
Bills payable	**766,240**	535,652
Trade creditors and bills payable	**2,145,860**	1,482,068
Accrued staff costs	**35,587**	25,564
VAT payable	**64,497**	39,442
Sundry taxes payable	**2,736**	5,415
Security deposits	**13,759**	12,907
Interest payable	**5,345**	3,517
Received in advance	**212**	3,361
Other accrued expenses and payables	**27,118**	15,424
	2,295,114	1,587,698

All of the trade and other payables are normally settled within one year or are repayable on demand.

26 TRADE AND OTHER PAYABLES (CONTINUED)

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:

	2021 **RMB'000**	2020 RMB'000
Within 1 year	**1,974,329**	1,316,845
1 to 2 years	**71,442**	122,165
2 to 3 years	**59,987**	11,562
More than 3 years	**40,102**	31,496
	2,145,860	1,482,068

27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at 31 December 2021 and 2020:

	As at 31 December 2021		As at 31 December 2020	
	Present value of minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of minimum lease payments RMB'000	Total minimum lease payments RMB'000
With 1 year	**41,999**	**50,965**	32,898	35,940
After 1 year but within 2 years	**21,904**	**30,435**	17,151	18,787
After 2 years but within 3 years	**16,590**	**23,632**	15,031	15,803
After 3 years	**115,452**	**151,242**	5,684	5,796
	153,946	**205,309**	37,866	40,386
	195,945	**256,274**	70,764	76,326
Less: total future interest expenses		**(60,329)**		(5,562)
Present value of lease liabilities		**195,945**		70,764

28 DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
At the beginning of year	**84,823**	43,797
Additions	**7,754**	45,840
Amortised to other income	**(4,936)**	(4,814)
Paid back	**(2,016)**	–
At the end of year	**85,625**	84,823
Representing		
Current portion	**5,467**	4,847
Non-current portion	**80,158**	79,976

Deferred income of the Group mainly represented various grants received from governments. Government grants are mainly for development of construction of property, plant and equipment. Government grants are recognised as other income on a straight-line basis over the expected useful life of the underlying property, plant and equipment.

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2021 RMB'000	2020 RMB'000
Provision for PRC income tax for the year	**15,602**	54,505
Prepaid in prior year	**(1,146)**	(9,064)
Provisional income tax paid	**(15,066)**	(28,701)
Current taxation as at 31 December	**9,420**	16,740
Prepaid income tax as at 31 December	**(10,030)**	(1,146)

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/ (liabilities) recognised in the consolidated statements of financial position and the movements during the years are presented as follows:

At 31 December 2021

	Balance at 1 January 2021 RMB'000	Acquisition of subsidiaries RMB'000	Credited/ (charged) to profit or loss RMB'000	Credited/ (charged) to reserves RMB'000	Balance at 31 December 2021 RMB'000
Deferred tax arising from:					
Credit loss allowance	16,593	–	14,303	–	30,896
Inventory provision	119	–	93	–	212
Deferred income	4,567	–	(377)	–	4,190
Unrealised profit	8,078	–	(2,170)	–	5,908
Investment properties	(16,038)	–	(256)	–	(16,294)
Tax deductible losses	6,026	–	1,913	–	7,939
Fair value adjustments arising from business combination	–	(9,654)	698	–	(8,956)
Total	19,345	(9,654)	14,204	–	23,895

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised: (Continued)

(i) Movement of each component of deferred tax assets and liabilities (Continued)

At 31 December 2020

	Balance at 1 January 2020 RMB'000	Disposal of discontinued operation RMB'000	Credited/ (charged) to profit or loss RMB'000	Credited/ (charged) to reserves RMB'000	Balance at 31 December 2020 RMB'000
Deferred tax arising from:					
Credit loss allowance	23,113	(8,352)	1,832	–	16,593
Inventory provision	236	–	(117)	–	119
Other payables	284	–	(284)	–	–
Deferred income	3,944	–	623	–	4,567
Unrealised profit	9,477	–	(1,399)	–	8,078
Investment properties	(14,872)	–	(1,166)	–	(16,038)
Right-of-use assets	(12,905)	–	12,905	–	–
Lease liabilities	12,945	–	(12,945)	–	–
Tax deductible losses	–	–	6,026	–	6,026
Total	22,222	(8,352)	5,475	–	19,345

(ii) Reconciliation to the consolidated statements of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**49,145**	35,383
Net deferred tax liability recognised in the consolidated statement of financial position	**(25,250)**	(16,038)
	23,895	19,345

29 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB327,848 thousand (2020: RMB212,442 thousand) and the eliminated profit arising from the downstream transactions with associates of RMB3,184 thousand in 2021 (2020: RMB3,302 thousand) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at 31 December 2021 will expire in the following years:

	2021 **RMB'000**	2020 RMB'000
2021	**–**	1,617
2022	**8,521**	8,533
2023	**27,120**	30,666
2024	**45,065**	50,233
2025	**118,164**	121,392
2026	**128,978**	–
	327,848	212,441

30 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

		Attributable to equity shareholders of the Company					
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2020		487,639	2,300,305	140,418	2,023	650,357	3,580,742
Changes in equity for 2020							
Profit for the year		–	–	–	–	77,451	77,451
Other comprehensive income		–	–	–	(4,898)	4,898	–
Total comprehensive income		–	–	–	(4,898)	82,349	77,451
Appropriation for surplus reserve	30 (c) (ii)	–	–	7,084	–	(7,084)	–
Disposal of interests in subsidiaries		–	2,016	–	–	–	2,016
Appropriation of profit	30 (d)	–	–	–	–	(243,819)	(243,819)
Balance at 31 December 2020 and 1 January 2021		487,639	2,302,321	147,502	(2,875)	481,803	3,416,390
Changes in equity for 2021							
Profit for the year		-	-	-	-	4,614	4,614
Other comprehensive income		-	-	-	(1,763)	1,763	-
Total comprehensive income		-	-	-	(1,763)	6,377	4,614
Appropriation for surplus reserve	30 (c) (ii)	-	-	317	-	(317)	-
Appropriation of profit	30 (d)	-	-	-	-	-	-
Balance at 31 December 2021		487,639	2,302,321	147,819	(4,638)	487,863	3,421,004

30 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

(i) Issued share capital

	2021 RMB'000	2020 RMB'000
Ordinary shares issued and fully paid of RMB1 each:		
At 1 January and 31 December	**487,639**	487,639

Representing

	2021 RMB'000	2020 RMB'000
Domestic shares issued	**177,825**	365,604
H shares issued	**309,814**	122,035
Total ordinary shares issued at 31 December	**487,639**	487,639

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

As disclosed in the Company's announcements dated 26 May 2021, 4 August 2021, 30 August 2021 and 24 September 2021 in relation to H share full circulation, 187,779,000 domestic shares of the Company were converted to H share and listed on HKEX since 27 September 2021.

30 CAPITAL AND RESERVES (CONTINUED)

(b) Share capital (Continued)

(ii) Share-based payments

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

In December 2021, the Group acquired a total of 2,380,000 shares of the Company from the open market, at a total consideration of RMB20,526 thousand, for the purpose of setting up the Plan. The shares are held as treasury shares and have been deducted from total equity attributable to equity shareholders of the Company.

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

(c) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

30 CAPITAL AND RESERVES (CONTINUED)

(c) Nature and purpose of reserves (Continued)

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the year ended 31 December 2021, the Company transferred RMB317 thousand (2020: RMB7,084 thousand), being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) represents the net change in fair value from the reclassification of property, plant and equipment to investment properties (see note 2 (i)). During 2021, RMB1,763 thousand (2020: RMB4,898 thousand) was transferred to retained earnings as a result of the disposal of the related investment properties.

(d) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021 **RMB'000**	2020 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0 per share (2020: RMB0.5 per share)	–	243,819

In accordance with the Company's article of association, in distributing its profit after tax of the relevant financial year, the lower of the profit after tax as shown in the financial statements prepared under IFRSs and PRC accounting standards shall be applied.

30 CAPITAL AND RESERVES (CONTINUED)

(e) Distributability of reserve

As 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company, was RMB390,900 thousand (2020: RMB388,048 thousand).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and lease liabilities and defines equity as all components of equity attributable to equity shareholders of the Company.

The Group's debt-to-equity ratio at 31 December 2021 and 2020 was as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities:		
Short-term loans and borrowings	**1,290,454**	1,970,713
Lease liabilities	**41,999**	32,898
	1,332,453	2,003,611
Non-current liabilities:		
Long-term loans and borrowings	**1,600,000**	1,012,578
Lease liabilities	**153,946**	37,866
Total debt	**3,086,399**	3,054,055
Total equity	**4,242,929**	4,138,642
Debt-to-equity ratio	**73%**	74%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and bills receivable. The Group's exposure to credit risk arising from cash and cash equivalents, restricted and pledged bank deposits is limited because the counterparties are state-owned banks or reputable banks, for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable as at 31 December 2021 and 2020:

Customer segment – PC Unit Manufacturing

	2021			2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	**0.16%**	**1,715,051**	**(2,821)**	0.08%	1,458,120	(1,172)
1 – 2 years	**1.38%**	**596,674**	**(8,227)**	0.78%	378,254	(2,937)
2 – 3 years	**4.75%**	**190,499**	**(9,044)**	2.00%	141,333	(2,829)
3 – 4 years	**13.69%**	**93,889**	**(12,855)**	7.34%	228,306	(16,748)
4 – 5 years	**56.66%**	**113,984**	**(64,582)**	100.00%	1,356	(1,356)
5 – 6 years	**100.00%**	**197**	**(197)**	–	–	–
Individually evaluated customers	**100.00%**	**1,811**	**(1,811)**	–	–	–
		2,712,105	**(99,537)**		2,207,369	(25,042)

Customer segment – PC Equipment Manufacturing

	2021			2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	**9.60%**	**73,473**	**(7,056)**	4.96%	50,831	(2,521)
1 – 2 years	**23.74%**	**5,854**	**(1,390)**	14.92%	134,527	(20,077)
2 – 3 years	**47.53%**	**124,306**	**(59,086)**	45.43%	127,249	(57,812)
3 – 4 years	**100.00%**	**35,262**	**(35,262)**	100.00%	2,000	(2,000)
		238,895	**(102,794)**		314,607	(82,410)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Customer segment – Modular Integrated Products Manufacturing

	2021			2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Collectively evaluated customers						
Within 1 year	0.10%	7,278	(7)	–	–	–
Over 1 year	–	–	–	–	–	–
		7,278	(7)		–	–

Customer segment – Construction contracts were disposed on 30 September 2020, the financial statements of this segment ceased to be consolidated into the financial statements of the Group accordingly.

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at 31 December RMB'000
Bank loans and other borrowings	**1,281,480**	**1,037,238**	**574,760**	**–**	**2,893,478**	**2,890,454**
Trade and other payables other than interest payable	**2,289,769**	**–**	**–**	**–**	**2,289,769**	**2,289,769**
Lease liabilities	**50,965**	**30,435**	**174,874**	**–**	**256,274**	**195,945**
	3,622,214	**1,067,673**	**749,634**	**–**	**5,439,521**	**5,376,168**

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at 31 December RMB'000
Bank loans and other borrowings	2,056,883	725,844	316,862	–	3,099,589	2,983,291
Trade and other payables other than interest payable	1,581,044	–	–	–	1,581,044	1,581,044
Lease liabilities	35,940	18,787	21,599	–	76,326	70,764
	3,673,867	744,631	338,461	–	4,756,959	4,635,099

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2021		2020	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate instruments:				
Deposits placed with banks	0.31%-1.96%	159,493	1.56%-2.75%	331,455
Long-term receivables	3.00%-5.50%	13,195	3.00%-5.50%	10,461
Bank loans and other borrowings	0.00%-14.40%	(1,402,726)	0.00%-6.00%	(2,102,069)
Lease liabilities	5.00%-5.50%	(195,945)	5.00%-5.50%	(70,764)
		(1,425,983)		(1,830,917)
Variable rate instruments:				
Cash at bank	0.01%-1.00%	381,163	0.01%-1.55%	496,833
Bank loans and other borrowings	4.05%-5.17%	(1,487,728)	4.18%-5.75%	(881,222)
		(1,106,565)		(384,389)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB8,299 thousand (2020: RMB2,883 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2020.

(d) Foreign exchange risk

In respect of cash at bank and on hand denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. No material foreign exchange exposure and foreign currency risk are recognised at 31 December.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties and financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

(i) Fair value hierarchy (Continued)

	2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurement				
Investment properties	–	–	270,935	270,935
Financial assets at fair value through profit or loss				
– Equity investments	–	–	1,912,755	1,912,755
Financial assets at fair value through other comprehensive income				
– Bills receivable	–	–	7,409	7,409

During the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value	Range	Weighted average/Median/ Average
Investment properties	Market comparison approach	Premium (discount) on quality of the buildings	The higher the premium/ discount, the higher/ lower the fair value	Discount rate: 0% to 70% (2020: 0% to 70%)	Discount rate: 33%
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	P/IC ratio: 0.82 to 1.32 (2020: 0.84 to 1.32) P/E ratio: 3.18 to 13.33 (2020: 3.51 to 16.19)	P/IC ratio: 1.00 (2020: 1.00) P/E ratio: 9.01 (2020: 8.58)
Bills receivable	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value	0%	0%

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

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

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

The movements during the period in the balance of investment properties is disclosed in note 12.

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.

There has been a change in valuation technique for investments in four entities. The reason for making the change is that the development status of these entities were transferred from the initial operation period to rapid development period in 2021. Comparable company method using P/E ratio is the appropriate valuation technique for the entities in rapid development period.

The fair value measurement is positively correlated to the P/IC ratio and P/E ratio. As at 31 December 2021, 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 RMB16,489 thousand (2020:RMB16,258 thousand).

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

	2021 **RMB'000**	2020 RMB'000
Unlisted equity investments		
At 1 January	**1,912,755**	1,740,938
Payment for purchases	**36,205**	116,844
Reclassified from investment in associates	**53,337**	95,500
Reclassified to investment in subsidiaries	**(60,504)**	(45,073)
Changes in fair value recognised in profit or loss during the year	**(1,957)**	4,546
At 31 December	**1,939,836**	1,912,755

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value measurement (Continued)

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

The fair value of bills receivable is determined by discounting the cash flow associated with the bills using risk-adjusted discount rate. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As at 31 December 2021, 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 31 December 2021 and 2020.

32 COMMITMENTS

Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted for	**419,582**	551,888

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	4,095	4,779
Share-based payment	–	–
Post-employment benefits	173	64
	4,268	4,843

The remuneration is included in "staff costs" (see note 6 (b)).

(b) Significant related party transactions

	2021 RMB'000	2020 RMB'000
Sales of products to associates	143	138
Sales of products to entities controlled by a close family member of controlling shareholder	912	–
Sales of products to entities controlled by the controlling shareholder	–	(2,467)
Purchase of goods from associates	1,837	823
Purchase of goods from entities controlled by a close family member of controlling shareholder	1,627	1,031
Purchase of goods from entities controlled by the controlling shareholder	1,448	1,277
Lease of properties from entities controlled by the controlling shareholder	768	438
	6,735	1,240

33 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balance with related parties

	2021 RMB'000	2020 RMB'000
Trade debtors	**15,402**	20,592
Prepayments	**94**	10,006
Other receivables	**50**	126
Other current assets	**286**	286
Trade creditors	**(3,088)**	(4,344)
Bills payable	**(350)**	–
Contract liabilities	**(76)**	(10,535)
Other payables	**–**	(69)
	12,318	16,062

(d) Guarantee provided by related parties

	Note	2021 RMB'000	2020 RMB'000
Loans and borrowings			
– Guaranteed by Mr. Zhang Jian and Mrs. Liu Hui	25	**1,082,800**	430,000
– Guaranteed by Mr. Zhang Jian	25	**230,000**	–
		1,312,800	430,000

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2021 RMB'000	31 December 2020 RMB'000
Investment properties	**250,915**	270,935
Property, plant and equipment	**195,108**	198,437
Intangible assets	**124,590**	130,485
Right-of-use assets	**102,704**	105,689
Investments in subsidiaries	**1,524,895**	1,108,883
Interest in associates	**296,192**	354,750
Deferred tax assets	**20,185**	15,728
Financial assets at fair value through profit or loss	**1,925,136**	1,912,755
Total non-current assets	**4,439,725**	4,097,662
Current assets		
Inventories	**83,630**	137,551
Trade and other receivables	**2,380,984**	2,209,163
Restricted and pledged bank deposits	**248,200**	124,612
Cash and cash equivalents	**517,746**	812,066
Total current assets	**3,230,560**	3,283,392
Total assets	**7,670,285**	7,381,054
Current liabilities		
Short-term borrowings	**1,265,587**	1,864,686
Trade and other payables	**1,436,027**	957,209
Contract liabilities	**6,682**	176,493
Deferred income	**1,727**	1,727
Total current liabilities	**2,710,023**	3,000,115
Net current assets	**520,537**	283,277
Total assets less current liabilities	**4,960,262**	4,380,939

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities		
Long-term borrowings	**1,506,650**	930,470
Deferred income	**16,314**	18,041
Deferred tax liabilities	**16,294**	16,038
Total non-current liabilities	**1,539,258**	964,549
NET ASSETS	**3,421,004**	3,416,390
CAPITAL AND RESERVES		
Share capital	**487,639**	487,639
Reserves	**2,933,365**	2,928,751
TOTAL EQUITY	**3,421,004**	3,416,390

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhang Jian
Chairman

Shi Donghong
Chief Financial Officer

(Expressed in RMB unless otherwise indicated)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Appendix I Particulars of Properties held by the Group

Property	Location	Purpose	Approximate gross floor area (m²)	Interests held by the Group (%)	Term of ownership
Long-term covenants in PRC					
1st/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	3,996.55	100	40
2nd/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	5,795.04	100	40
3rd/F, Lugu Town Commercial Street	No. 709 Jianshan Road, Yuelu District	Commercial	2,025.14	100	40