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, 2019

The Board of Changsha Broad Homes Industrial Group Co., Ltd. is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2019. These results have been audited by the Auditors and reviewed by the Audit Committee.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

HIGHLIGHTS

1. Financial Highlights

	Year ended December 31,				
	2019		2018		
	Amount	**As a percentage of revenue**	Amount	As a percentage of revenue	Year-on-year change
	RMB'000		*RMB'000*		
Revenue	**3,369,416**	**100.0%**	2,269,129	100.0%	48.5%
Gross profit	**1,144,019**	**34.0%**	724,547	31.9%	57.9%
Profit from operations	**600,612**	**17.8%**	343,563	15.1%	74.8%
Profit before taxation	**733,676**	**21.8%**	554,269	24.4%	32.4%
Profit for the year	**676,919**	**20.1%**	466,304	20.5%	45.2%

2. Financial Information by Business Segment

	Year ended December 31,					
	2019			2018		
	PC unit manufacturing	**PC equipment manufacturing**	**Construction contracting**	PC unit manufacturing	PC equipment manufacturing	Construction contracting
	(in RMB'000, except percentages)					
Revenue	**2,303,660**	**896,768**	**168,988**	854,334	1,226,268	188,527
Gross profit	**797,903**	**304,482**	**41,634**	203,643	466,404	54,500
Gross profit margin	**34.6%**	**34.0%**	**24.6%**	23.8%	38.0%	28.9%

3. Major Operating Information

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

	Year ended December 31,		
	2019	2018	Year-on-year change
	(RMB'000)		*(%)*
Revenue	**2,303,660**	854,334	169.6%
Gross profit	**797,903**	203,643	291.8%
Gross profit margin	**34.6%**	23.8%	10.8%

	Year ended December 31,		
	2019	2018	Year-on-year change
	(%)		
Average utilization rate of PC unit manufacturing business	**45.8%**	17.4%	28.4%

	Year ended December 31,		
	2019	2018	Year-on-year change
	(RMB'000)		*(%)*
Net cash generated from operating activities	**967,056**	618,296	56.4%

	Year ended December 31,		
Joint Factories	**2019**	2018	Year-on-year change
	(Number)	*(Number)*	*(Number)*
Accumulatively contracted for	**86**	81	5
Contributed	**63**	59	4
Capable of commencing production	**57**	45	12
Profitable	**20**	8	12

FINANCIAL PERFORMANCE HIGHLIGHTS

Our financial performance highlights for the year ended December 31, 2019 are set out below:

Total revenue increased by 48.5% from RMB2,269,129 thousand in 2018 to RMB3,369,416 thousand in 2019.

Total gross profit increased by 57.9% from RMB724,547 thousand in 2018 to RMB1,144,019 thousand in 2019; and gross profit margin increased from 31.9% in 2018 to 34.0% in 2019.

Profit from operations increased by 74.8% from RMB343,563 thousand in 2018 to RMB600,612 thousand in 2019. The increase in profit from operations was far more than that in revenue.

Net profit increased by 45.2% from RMB466,304 thousand in 2018 to RMB676,919 thousand in 2019. Driven by the above factors, our net profit registered substantial growth.

Net cash generated from operating activities increased by 56.4% from RMB618,296 thousand in 2018 to RMB967,056 thousand in 2019. Our net cash generated from operating activities witnessed robust growth in line with the increase in revenue.

Specifically, for our PC unit manufacturing business, revenue increased by 169.6% from RMB854,334 thousand in 2018 to RMB2,303,660 thousand in 2019 and achieved a significant increase in scale and utilization rate of production lines.

OPERATING HIGHLIGHTS

Our operating highlights for the year ended December 31, 2019 are set out below:

Production and sales volume and utilization rate of production lines

The production volume of our PC units increased by 165.8% from 290,015 cubic meters in 2018 to 770,990 cubic meters in 2019; the sales volume of our PC units increased by 177.2% from 294,160 cubic meters in 2018 to 815,409 cubic meters in 2019; and the utilization rate of our PC unit production lines increased from 17.4% in 2018 to 45.8% in 2019.

Turnover days of trade debtors

Our overall turnover days of trade debtors decreased from 269 days in 2018 to 230 days in 2019, of which the turnover days of trade debtors of PC unit manufacturing business decreased from 378 days in 2018 to 204 days in 2019.

Joint Factories

As of December 31, 2019, the Joint Factories we accumulatively contracted for reached 86. We have contributed to 63 Joint Factories, among which, 57 Joint Factories are capable of commencing production and 20 Joint Factories are profitable, representing a significant increase in profitable Joint Factories of 12 in 2019 from 8 in 2018. The overall profitability of Joint Factories was substantially enhanced on an on-going basis.

New contracts and backlog

Our total new contract value in 2018 and 2019 were RMB4,618.3 million and RMB4,023.3 million, respectively. Our total backlog in 2018 and 2019 were RMB4,689.0 million and RMB4,960.7 million, respectively, representing a year-on-year increase of 5.8%. In particular, backlog of PC unit manufacturing business increased by 16.4% from RMB3,220.2 million as at the end of 2018 to RMB3,748.9 million as at the end of 2019.

BUSINESS REVIEW AND PROSPECT

1. Business highlights of the Company

In 2019, we focused on quality improvement and efficiency enhancement and strived to promote scale and efficiency. Leveraging the full application of the PC-CPS full-process digital solution for prefabricated construction and with concerted efforts of all the employees, we stepped upon the track of high-quality development. We continued to deepen our in-depth cooperation with strategic customers of brand real estate enterprises, and entered into cooperation agreements with 20 large-scale real estate enterprises, including Country Garden Holdings Company Limited, Midea Real Estate Group Co., Ltd. and Jinke Property Group Co., Ltd.. From providing specialized prefabricated construction full-process solutions to jointly formulating prefabricated construction product standards, we achieved the transformation from "business cooperation" to "standard co-construction" and "Creating Value with Our Client". Adhering to the "strugglers-oriented" principle, we promote individual specific assessment and quantify individual value, correctly evaluate value, reasonably allocate value, and continuously strengthen staff management efficiency and value construction, to facilitate steady management efficiency improvement. As a result, during the Reporting Period, our revenue increased robustly to RMB3,369,416 thousand, representing a year-on-year increase of 48.5%; our gross profit margin increased from 31.9% in 2018 to 34.0% in 2019, representing a year-on-year increase of 2.1 percentage points; our net profit reached RMB676,919 thousand, representing a year-on-year increase of 45.2%; and our net cash generated from operating activities amounted to RMB967,056 thousand, representing a year-on-year increase of 56.4%.

PC unit manufacturing

In 2019, our PC unit manufacturing business experienced a strong growth momentum. During the Reporting Period, the PC unit manufacturing business recorded revenue of RMB2,303,660 thousand, representing a year-on-year increase of 169.6% and recorded gross profit margin of 34.6% in 2019 from 23.8% in 2018, representing an increase of 10.8 percentage points. During the Reporting Period, revenue from the PC unit manufacturing business as a percentage of total revenue increased from 37.7% in 2018 to 68.4% in 2019, and average utilization rate of production lines increased from 17.4% in 2018 to 45.8% in 2019, representing an increase of 28.4 percentage points. Turnover days of trade debtors of PC unit manufacturing business decreased from 378 days in 2018 to 204 days in 2019.

PC equipment manufacturing

In 2019, PC equipment manufacturing business recorded revenue of RMB896,768 thousand, representing a year-on-year decrease of 26.9%, primarily due to the shift in our business development focus from nationwide layout to facilitating the operation of Joint Factories. We will continue to introduce our PC-CPS management system and an array of value-added services into the Joint Factories to assist Joint Factories to enhance operation. We will also push forward the Broad Homes United Program and select partners for market expansion with more prudence, so as to solve the problem of developing and rapidly occupying local markets with only limited funds and to promote the "Broad Homes Industrial" brand and PC-CPS management system. We believe that our brand and our capability to integrate software and hardware serve as one of the major competitive advantages in the PC unit market. Through the operation of the Joint Factories and relying on the strong production capacity brought about by the integration of our software and hardware, we can not only increase our popularity in the local market, but also empower the Joint Factories with stronger competitiveness. As of December 31, 2019, we secured 86 Joint Factories in total, 57 of which had production capacity and 20 achieved profit.

Construction contracting

In 2019, our construction contracting business recorded revenue of RMB168,988 thousand, representing a year-on-year decrease of 10.4%. We decided to focus on PC unit and PC equipment manufacturing business starting from 2016. This focus change in our business is primarily driven by our intention to concentrate our strengths on PC unit and PC equipment manufacturing and to further develop our PC unit design and production management system. As a result, we did not enter into new contracts regarding construction contracting business and relevant projects came to the final stage successively.

2. Prospect and strategies

Continue to invest in domestic regional production centers and Joint Factories

We will continue to implement our strategy of "Scale plus Profits". We plan to leverage on the network of our wholly-owned PC factories and the Joint Factories to integrate our technology centers in various regions to achieve national coverage.

We intend to continue to lead the market through establishing regional production centers nationwide. Regional production center is a combination of wholly-owned PC factory and technology center, where our PC unit manufacturing capability is enhanced with full support from our strong research and development capability of technology centers while the research results of the technology centers can be quickly applied in real time manufacturing in our PC unit manufacturing factories and in turn promotes the application and development of our technology. The regional production centers will serve as regional benchmark for our PC units manufacturing and provide technical support to the wholly-owned factories and Joint Factories in the region. As of December 31, 2019, we had established seven regional production centers in provinces of Hunan, Zhejiang, Anhui, Jiangsu, Guangdong, Tianjin and Shanghai. We plan to complete the expansion of all seven existing regional production centers by the end of 2020. Meanwhile, we will build new regional production centers in 14 cities which we believe to have promising market potentials, and further enhance our leadership in the prefabricated construction industry in China by enlarging our production scale and profitability. All regional production centers are and will be wholly-owned by us. Among these new regional production centers, those in Wuhan, Jinan and Zhengzhou are intended to be built with investment.

When building new regional production centers, we intend to firstly build our technology centers which constitute an important part of our regional production centers if no factory has yet been established in that area. We plan to establish a nationwide technology network comprising 20 technology centers in China in the future, so that we are able to allocate our technological resources collectively and provide technological support to all of our wholly-owned and Joint Factories. As such, we will be able to provide our clients with integrated prefabricated construction solutions with higher quality.

Currently we have conducted preparation work such as local market research, feasibility study and location selection for the expansion and establishment of five regional production centers. As of December 31, 2019, we had contracted to invest in 86 Joint Factories in various cities across China in total. We plan to further increase the number of the Joint Factories to realize a full coverage of major prefabricated construction markets in China with funds generated from our business operation and other financial resources available.

Upgrade our digital intelligent platform

We will continue to enhance our capability in research and development, upgrade our soft skills in intelligent manufacturing and forge our core competitiveness. Taking advantage of the intelligent design software of PC Maker I, we plan to continue to build our platform-level PC-CPS intelligent manufacturing management system by optimizing BIM design, construction standards and operational tools, and conducting research and development of artificial intelligent manufacturing systems.

We plan to build a self-serviced quick design platform for prefabricated building design to provide designers and design institutes with rapid design tools at various stages and in various disciplines, prefabricated design resources, and data interface standards for accessibility to manufacturing management systems and their conversion tools. We also plan to develop a project management system of virtual design to provide value-added services including online design project management, virtual team operations management and design optimization.

We have utilized “Internet +” to realize intelligent design and manufacturing of PC units through PC Maker I. We mainly use the data and information of BIM model to informationize the whole process and digitize our entire operation. We plan to establish a virtual PC factory operations management system and an intelligent construction site project management system to be integrated into the PC-CPS management system platform. Leveraging on the mass data and user base in various aspects of prefabricated construction, we also plan to create an online trading platform to direct and attract traffic of suppliers and potential cooperation platforms of component parts, construction materials, electrics and mechanical equipment, logistics and semi-finished products.

In addition, we plan to extend our business along upstream and downstream of the industry chain, establish an industry level massive data platform, and promote the full integration of the internet platform systems of the industry.

Continue to focus on strategic clients

We focus on developing clients who are among the top 50 real estate developers in China. Adhering to our philosophy of “Creating Value with Our Client”, we plan to assist our target clients to optimize products and realize the effective integration of technologies and market. We also plan to provide services to the Joint Factories, promote project cooperation and establish a long-term systematic mechanism to ensure profitability.

We plan to establish a nationwide resource linkage and a customer response system, to provide customized comprehensive solutions of prefabricated construction to our customers, and provide all-round technology service and product support, so as to help our customers to quantify and control the progress of fund utilization and increase the turnover rate. Meanwhile, we believe that we are able to create an overall connection among the product demand of strategic clients, procurement demand of our projects in various locations and demand for information sharing, thus forming a client-reliance on multiple dimensions. In addition, we believe that we are able to adopt a nationwide layout strategy to achieve a rapid expansion in scale magnitude.

Expand in overseas markets

We plan to promote and export full fabricated villa products to certain developed countries and regions in, for instance, Europe, North America and Persian Gulf area. Full fabricated villa products can substantially reduce construction effort on-site and can be constructed in a more efficient, environmental-friendly and energy-saving manner as compared with traditional buildings. We believe that such products will create market demand as they are in line with the value orientation of the people in the developed countries and popular islands for tourists.

We plan to seize the opportunities brought by the Belt and Road Initiative to develop and build social housing in countries along the Belt and Road Initiative and other developing countries through exporting full sets of prefabricated building products and relevant construction management, technologies, equipment and services. We expect that the Belt and Road Initiative will bring a tide of fast growth opportunities in both infrastructure projects and livelihood projects of countries and regions along the relevant routes, thus driving urbanization demand and progress. Other developing countries are in the process of urbanization, as a result of which we believe that there will be continuous increase in demand for housing construction, including the demand for prefabricated buildings, in those countries and regions.

Based on our long-term experience, we have developed matured management, technology, equipment and service systems, and built a platform-level PC-CPS intelligent manufacturing management system, which are able to promote the transformation of construction industry from Industrialization 1.0 to 4.0. In the future, we intend to export full sets of prefabricated building products as well as full sets of management, technologies, equipment and service systems to target countries.

Develop module integration services

We plan to split our businesses into two principal business units, being B2B and B2C. Our prefabricated business department will be responsible for the B2B unit, which is primarily engaged in PC unit and PC equipment manufacturing business. Meanwhile, we will set up a B2C module integration technology division to be mainly responsible for B-house business and the new product of B-BOX business, which primarily target at C-end consumers by adopting the online and offline "Internet +" mode for providing one-stop service for production, sales, installation and after-sales service leveraging the establishment of an information platform system and our self-operated factories and Joint Factories across the nation. The forty-year period since reform and opening up in China witnessed the four decades of urbanization, when vast rural population continuously poured into cities, resulting in an ever-intensifying contradiction in housing among the urban population. With the implementation of such policies as the integration of urban and rural areas and the construction of beautiful countryside as advocated by the government, a growing number of urban elites expect to own an ideal house in proximity to cities. According to incomplete statistics, the rural consumption market will reach RMB6 trillion in 2020, of which living is the major component of expenditure for rural residents. In our country, the area of self-built houses in villages and around cities has exceeded 1.3 billion square meters, and more than 2.2 million new rural houses are built every year.

The Ministry of Housing and Urban-Rural Development of the PRC issued the Notice on Carrying out the Pilot Work of Rural Housing Construction (關於開展農村住房建設試點工作的通知) on February 2, 2019, pursuant to which, provinces and cities across the country successively rolled out relevant documents on rural housing construction management to guide the rural housing construction management in a unified and standardized manner. The official implementation of the new Land Administration Law of the PRC (中華人民共和國土地管理法) on January 1, 2020 and policies such as the confirmation of rural land rights significantly promoted the development of the rural self-built housing market, and at the same time laid a legal basis for standardizing rural self-built housing systems.

Trial launch of our upgraded B-house products was unveiled on January 28, 2020 and received instant market attention. In the past few days, we secured orders in various regions.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Comparison of the years ended December 31, 2019 and 2018

The table below sets out the comparative figures for the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Revenue	**3,369,416**	2,269,129
Cost of sales	**(2,225,397)**	(1,544,582)
Gross profit	**1,144,019**	724,547
Net valuation gains on investment properties	**20,284**	53,871
Other income	**64,321**	32,044
Sales and distribution expenses	**(217,928)**	(111,746)
General and administrative expenses	**(232,332)**	(229,182)
Research and development expenses	**(177,752)**	(125,971)
Profit from operations	**600,612**	343,563
Finance costs	**(102,404)**	(72,412)
Fair value changes on financial assets at fair value through profit or loss	**12,600**	–
Share of profits less losses of associates	**(35,062)**	(98,321)
Gains on disposal of subsidiaries	**–**	108,439
Gains on loss of significant influence in associates	**248,188**	261,494
Gains on disposal of partial interest in associates	**7,580**	–
Gains on disposal of associates	**2,162**	11,506
Profit before taxation	**733,676**	554,269
Income tax	**(56,757)**	(87,965)
Profit for the year	**676,919**	466,304

Revenue

Our revenue increased from RMB2,269.1 million in 2018 to RMB3,369.4 million in 2019, representing a year-on-year increase of 48.5%. We have posted strong revenue growth.

The table below sets out a breakdown of revenue by business segment for 2019 and 2018 (in absolute terms and as a percentage of our total revenue):

	Year ended December 31,			
	2019		2018	
Revenue:	**Amount**	**As a percentage of total revenue**	Amount	As a percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*
Sales of PC units	**2,303,660**	**68.4%**	854,334	37.7%
Sales of PC equipments	**896,768**	**26.6%**	1,226,268	54.0%
Revenue from construction contract	**168,988**	**5.0%**	188,527	8.3%
Total	**3,369,416**	**100%**	2,269,129	100%

Revenue from PC unit manufacturing business increased from RMB854.3 million in 2018 to RMB2,303.7 million in 2019, representing a year-on-year increase of 169.6%; and revenue from PC unit manufacturing business as a percentage of total revenue rose from 37.7% in 2018 to 68.4% in 2019, primarily due to a substantial improvement in the capacity utilization rate of our PC unit manufacturing business, which increased from 17.4% in 2018 to 45.8% in 2019.

Revenue from PC equipment manufacturing business decreased from RMB1,226.3 million in 2018 to RMB896.8 million in 2019, representing a year-on-year decrease of 26.9%; and revenue from PC equipment manufacturing business as a percentage of total revenue decreased from 54.0% in 2018 to 26.6% in 2019, primarily due to a shift from rapid layout expansion stage to facilitating Joint Factories to enhance operation and achieve benign operation stage under the Broad Homes United Program, leading to a corresponding deceleration in expansion and construction progress of Joint Factories and PC equipment manufacturing business.

Revenue from construction contracting business decreased from RMB188.5 million in 2018 to RMB169.0 million in 2019, representing a year-on-year decrease of 10.4%; revenue from construction contracting business as a percentage of total revenue decreased from 8.3% in 2018 to 5.0% in 2019, primarily due to the fact that starting from 2016, we concentrated our efforts on the development of PC unit and PC equipment manufacturing, and further developed PC unit design and production management systems, and decided to focus on PC unit and PC equipment manufacturing business. For the years ended December 31, 2018 and 2019, all projects of construction contracting business entered the final stage successively.

Cost of sales

Our cost of sales increased from RMB1,544.6 million in 2018 to RMB2,225.4 million in 2019, representing a year-on-year increase of 44.1%. This is mainly due to the fact that our revenue increased significantly and our cost of sales increased accordingly.

The table below sets out a breakdown of the cost of sales by business segment for 2019 and 2018 (in absolute terms and as a percentage of our total cost of sales):

	Year ended December 31,			
	2019		2018	
Cost of sales:	**Amount**	**As a percentage of total cost of sales**	Amount	As a percentage of total cost of sales
	RMB'000	*%*	*RMB'000*	*%*
Sales of PC units	**1,505,757**	**67.7%**	650,691	42.1%
Sales of PC equipments	**592,286**	**26.6%**	759,864	49.2%
Revenue from construction contract	**127,354**	**5.7%**	134,027	8.7%
Total	**2,225,397**	**100%**	1,544,582	100%

The cost of sales of PC unit manufacturing business increased from RMB650.7 million in 2018 to RMB1,505.8 million in 2019, representing a year-on-year increase of 131.4%. This is mainly due to the fact that revenue from our PC unit manufacturing business increased significantly and our cost of sales increased accordingly. However, the cost of sales grew at a much slower pace than revenue did due to an increase in scale and a significant reduction in the allocation of fixed expenses such as depreciation and amortization, which led to an increase in gross profit margin.

The cost of sales of PC equipment manufacturing business decreased from RMB759.9 million in 2018 to RMB592.3 million in 2019, representing a year-on-year decrease of 22.1%, primarily due to the fact that in 2019, revenue from our PC equipment manufacturing business decreased compared with 2018, and the cost of sales decreased by basically the same percentage as revenue.

The cost of sales of construction contracting business decreased from RMB134.0 million in 2018 to RMB127.4 million in 2019, representing a year-on-year decrease of 5.0%, primarily due to the fact that our construction contracting business has entered the final stage, resulting in a decrease in revenue, and the cost of sales decreased by basically the same percentage as revenue.

Gross profit and gross profit margin

Our overall gross profit increased from RMB724.5 million in 2018 to RMB1,144.0 million in 2019, representing a year-on-year increase of 57.9%. Our gross profit margin rose from 31.9% in 2018 to 34.0% in 2019, representing an increase of 2.1 percentage points.

The table below sets out a breakdown of gross profit by business segment for 2019 and 2018, and as a percentage of revenue (i.e., gross profit margin) of each business segment:

	Year ended December 31,			
	2019		2018	
Gross profit:	**Amount**	**Gross profit margin**	Amount	Gross profit margin
	RMB'000		*RMB'000*	
Sales of PC units	**797,903**	**34.6%**	203,643	23.8%
Sales of PC equipments	**304,482**	**34.0%**	466,404	38.0%
Revenue from construction contract	**41,634**	**24.6%**	54,500	28.9%
Total	**1,144,019**	**34.0%**	724,547	31.9%

The gross profit of PC unit manufacturing business increased from RMB203.6 million in 2018 to RMB797.9 million in 2019, representing a year-on-year increase of 291.8%. The gross profit margin rose significantly from 23.8% in 2018 to 34.6% in 2019. This is mainly due to a significant increase in the scale of our PC unit manufacturing business, a substantial improvement in the utilization rate of production lines, and a significant reduction in the allocation of fixed costs such as depreciation and amortization.

The gross profit of PC equipment manufacturing business decreased from RMB466.4 million in 2018 to RMB304.5 million in 2019, representing a year-on-year decrease of 34.7%. The gross profit margin decreased slightly from 38.0% in 2018 to 34.0% in 2019, primarily due to a slight decrease in revenue from royalties of the use of intellectual property from our PC equipment manufacturing business collected from customers for the use of intellectual property rights and discounts offered to Joint Factories for repeat purchase of equipment in 2019.

The gross profit of construction contracting business decreased from RMB54.5 million in 2018 to RMB41.6 million in 2019, representing a year-on-year decrease of 23.6%. The gross profit margin decreased slightly from 28.9% in 2018 to 24.6% in 2019, primarily due to a decrease in cost of sales corresponding to the decrease in revenue of construction contracting business.

Valuation gains on investment properties

For the years ended December 31, 2018 and 2019, we recorded valuation gains on investment properties of RMB53.9 million and RMB20.3 million, respectively, mainly due to a substantial increase in the value of our investment property (mainly commercial real estate).

Other income

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

The table below sets out a breakdown of the main components of our other income for 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Government grants	**68,433**	34,184
Losses on the disposal of property, plant and equipment	**(2,324)**	(1,514)
(Net losses)/Gains on disposal of investment properties	**(5,715)**	369
Others	**3,927**	(995)
Total	**64,321**	32,044

For the years ended December 31, 2018 and 2019, we enjoyed VAT refunds, and we applied for and received grants from local government departments and the central government of China, mainly including industry development funds and government subsidies for the development and construction of property, plant and equipment. Although the government usually provides grants annually, except for VAT refunds, these grants are not provided on a regular basis but on a case-by-case basis in accordance with applicable national and local laws and regulations. Our government grants increased from RMB34.2 million in 2018 to RMB68.4 million in 2019, representing a year-on-year increase of 100.2%, mainly due to an increase in VAT refunds resulting from a significant increase in revenue from our PC unit manufacturing business.

For the years ended December 31, 2018 and 2019, we incurred losses on the disposal of assets, mainly due to the partial disposal of the machinery and equipment related to the construction contracting business.

Sales and distribution expenses

Our sales and distribution expenses mainly include freight, staff remuneration, fees including operation cost and promotion fee, after-sale service fee and depreciation and amortization, etc. For the years ended December 31, 2018 and 2019, our sales and distribution expenses were RMB111.7 million and RMB217.9 million, respectively, accounting for 4.9% and 6.5% of our total revenue for the same periods, respectively. The increase in sales and distribution expenses was mainly due to an increase in freight for PC units caused by a substantial increase in revenue from our PC unit manufacturing business, as well as an increase in the remuneration that we are required to pay to market personnel and after-sales service fee caused by an increase in the scale of our operations.

The table below sets out a breakdown of our sales and distribution expenses for 2019 and 2018:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Freight	**121,614**	44,058
Staff remuneration	**42,460**	28,013
After-sale service fee	**16,041**	2,626
Fees including operation cost and promotion fee	**17,053**	13,789
Depreciation and amortization	**3,591**	922
Others	**17,169**	22,338
Total	**217,928**	111,746

General and administrative expenses

Our general and administrative expenses consist primarily of remuneration for administrative staff and amortization and depreciation. For the years ended December 31, 2018 and 2019, our general and administrative expenses were RMB229.2 million and RMB232.3 million, respectively, accounting for 10.1% and 6.9% of our total revenue for the same periods, respectively. The bad debt provision decreased from RMB78.1 million for the year ended December 31, 2018 to RMB14.8 million for the year ended December 31, 2019, mainly due to the implementation of our proactive collection policies and measures, which accelerated the collection of trade debtors and bills receivable, resulting in a reduction in the age of accounts as well as the increase in the number and salary of business management staff resulting from the expansion of our business.

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

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Staff remuneration	**86,941**	47,481
Includes: share-based payment	**16,368**	13,868
Business taxes and surcharges	**32,160**	36,179
Depreciation and amortization	**36,986**	22,050
Bad debt provision	**14,783**	78,120
Office expenses, travel expenses	**16,372**	10,434
Rental fee	**2,086**	2,516
Others	**43,004**	32,402
Total	**232,332**	229,182

Research and development expenses

Our research and development expenses consist primarily of staff remuneration, material costs, and design and testing fees. For the years ended December 31, 2018 and 2019, our total research and development expenses were RMB207.7 million and RMB289.4 million, respectively. The increase in total research and development expenses was primarily attributable to our enhanced investment in research and development of new products, new processes, product innovation and the PC-CPS management system, for which RMB126.0 million and RMB177.8 million of our research and development expenses were incurred, respectively, and RMB81.8 million and RMB111.6 million of our research and development expenses were capitalized, accounting for 39.4% and 38.6% of our research and development expenses for the same year, respectively.

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

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Staff remuneration	**115,361**	108,144
Material costs	**138,756**	68,365
Depreciation and amortization	**17,937**	11,555
Design and testing fee	**7,700**	15,675
Others	**9,630**	3,984
Total research and development expenditure	**289,384**	207,723
Capitalization of research and development expenditure	**(111,632)**	(81,752)
Total	**177,752**	125,971

Profit from operations

In summary, our profit from operations for the year ended December 31, 2019 was RMB600.6 million, compared with RMB343.6 million for the same period in 2018. In 2019, our profit from operations increased significantly by 74.8% as compared to that in 2018.

Finance costs

Our finance costs consist primarily of interest expenses on bank loans and other borrowings, interest expenses and interest on lease liabilities. For the years ended December 31, 2018 and 2019, our finance costs were RMB72.4 million and RMB102.4 million, respectively, representing a year-on-year increase of 41.4%. The increase in finance costs was mainly due to an increase in loans and interest expense caused by expansion of our business, and our first-time application of IFRS 16 on January 1, 2019, which increased the interest on our lease liabilities.

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

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Interest on bank loans and other borrowings	**107,207**	72,030
Interest on discounted bills	**–**	5,649
Interest on lease liabilities	**2,562**	–
Interest income	**(5,236)**	(5,267)
Net foreign exchange gain	**(2,129)**	–
Total	**102,404**	72,412

Gain or loss on fair value change of financial assets

For the year ended December 31, 2019, we recorded gain or loss on fair value change of financial assets of RMB12.6 million while we did not record any gain or loss on fair value change of financial assets during the same period in 2018, primarily attributable to the increase of valuation of financial assets at fair value through profit or loss.

Share of profits less losses of associates

In 2019, we continued to cooperate and invest with selected local partners in Joint Factories to manufacture PC units through the Broad Homes United Program. Our share of profits less losses of associates was calculated by the profit less loss attributable to us from our associates pursuant to our equity interests in such associates. As some of the Joint Factories were under construction or at the trial or during start-up stage and had not yet recorded any profit in their operations, we recorded a loss on our investment in the associates as a whole during the above periods. For the years ended December 31, 2018 and 2019, we recorded negative share of profits less losses of associates of RMB98.3 million and RMB35.1 million, respectively, and recorded year-on-year decrease in losses of 64.3%, primarily due to the continued operating improvement of Joint Factories.

Gains on disposal of subsidiaries

In 2018, we disposed of three subsidiaries and recorded gains of RMB108.4 million, while in 2019, we did not dispose of any subsidiaries, and there was no relevant proceed.

Gains on loss of significant influence in associates

In late 2017, we adjusted the management model of Joint Factories and formulated the "two-level management strategy" on Joint Factories. Since early 2018, we started to implement the "two-level management strategy". Subject to the consent of the JF Partners, we withdrew from participating in the decision-making process of the key operational management of certain Joint Factories, to better respond to the challenges imposed on our limited management resources with our implementation of Broad Homes United Program. As a result, for the years ended December 31, 2018 and 2019, 30 and 19 Joint Factories that we had made the capital contribution to were re-measured as financial assets at fair value through profit or loss, respectively. We recorded gains on loss of significant influence in associates of RMB261.5 million and RMB248.2 million. The fair value of Joint Factories as financial assets at fair value through profit or loss was determined by valuation. The valuer appointed by us 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, 46 were in the start-up stage while 3 were in the rapid development stage and all of these 3 Joint Factories were profitable. Under the market approach, accumulated losses incurred by a company in the start-up stage 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 proceeds 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.

Gains on disposal of partial interest in associates

For the year ended December 31, 2019, as a result of the sale of a portion of our equity interest in an associate to an independent third party, we recorded RMB7.6 million in gains on disposal of partial interest in associates. For details, please refer to "Gains on Disposal of Partial Interest in Associates" under the financial information section of the prospectus of the Company dated October 24, 2019. In 2018, we did not record any relevant gains or losses.

Gains on disposal of associates

In 2018, as we stopped producing one of our products, we disposed of an associate and recorded a gain of RMB11.5 million from the disposal. For details, please refer to "Gains on Disposal of Associates" under the financial information section of the prospectus of the Company dated October 24, 2019. For the year ended December 31, 2019, we recorded RMB2.2 million of gains on disposal of associates due to the deregistration of two associates and the transfer of the entire interest in a Joint Factory to independent third parties.

Profit before taxation

In summary, our profit before taxation for the year ended December 31, 2019 was RMB733.7 million, representing a year-on-year substantial increase of 32.4% compared to RMB554.3 million for the same period in 2018.

Income tax

Our income tax expense consists primarily of corporate income tax and movements in deferred tax assets. For the years ended December 31, 2018 and 2019, our income tax was RMB88.0 million and RMB56.8 million, respectively, and the effective tax rate was 15.9% and 7.7%, respectively. The substantial decrease in the effective tax rate was mainly due to the fact that in 2019, four of our subsidiaries were recognized as high-tech enterprises and enjoyed a preferential income tax rate of 15% and another 7 subsidiaries enjoy preferential income tax policies for being small and low-profit enterprises.

Profit for the year

In summary, our profit for the year ended December 31, 2019 was RMB676.9 million, representing a substantial increase of 45.2% compared to RMB466.3 million for the same period in 2018.

2. Working capital and capital resources

We have met our capital needs through cash flows from operations and financing. As at December 31, 2018, our balance amounted to RMB296.5 million while as at December 31, 2019, our cash and cash equivalents were RMB1,084.8 million. The table below sets out our cash flows for the years indicated:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Net cash generated from operating activities	**967,056**	618,296
Net cash used in investing activities	**(1,307,209)**	(785,560)
Net cash generated from/(used in) financing activities	**1,129,410**	(212,203)
Net (decrease)/increase in cash and cash equivalents	**789,257**	(379,467)
Effect of foreign exchange rate changes	**(982)**	–
Cash and cash equivalents at the beginning of the year	**296,475**	675,942
Cash and cash equivalents at the end of the year	**1,084,750**	296,475

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 year and is adjusted according to changes in working capital.

For the year ended December 31, 2019, the net cash generated from operating activities was RMB967.1 million, mainly due to profit before income tax of RMB733.7 million, which was adjusted according to the following aspects: (i) non-cash items, mainly including RMB159.1 million in depreciation and amortization, and equity-settled share-based payment expenses of RMB16.4 million, expenditure on finance costs of RMB112.5 million, gains on loss of significant influence in associates of RMB248.2 million, gains on disposal of interests in associates and gains on disposal of partial interest in associates of RMB9.7 million, share of profits less losses of associates of RMB35.1 million, bad debt provision and inventory depreciation provision of RMB14.8 million, valuation gain of investment properties of RMB20.3 million, valuation gain on financial assets at fair value of RMB12.6 million, and expenditure on other non-cash items of RMB2.9 million, and (ii) changes in working capital, mainly including a decrease of RMB108.4 million in inventory, an increase of RMB510.7 million in trade and other receivables, an increase of RMB548.5 million in trade and other payables, a decrease of RMB366.8 million in contract assets, a decrease of RMB269.5 million in contract liabilities and income tax paid of RMB60.0 million.

Net cash used in investing activities

For the year ended December 31, 2019, net cash used in investing activities was RMB1,307.2 million, mainly attributable to (i) the acquisition of property, plant and equipment, lease prepayments/right-of-use assets and intangible assets of RMB970.2 million, (ii) the acquisition of financial assets at fair value through profit or loss and interests in associates of RMB485.6 million, (iii) the final payment in respect of the disposal of subsidiaries in 2018 of RMB69.9 million, (iv) proceeds from the disposal of investment property of RMB53.4 million, and (v) proceeds from the disposal of interests in associates of RMB17.8 million and income from other investment activities of RMB7.7 million.

Net cash generated from/(used in) financing activities

For the year ended December 31, 2019, the net cash generated from financing activities was RMB1,129.4 million, mainly due to (i) payment of borrowings and interest of RMB1,717.3 million, (ii) loans and borrowings proceeds of RMB2,279.1 million, (iii) payment of dividends of RMB365.6 million, (iv) payment of principal and interest on lease liabilities of RMB22.4 million, and (v) proceeds from issuance of H Shares of RMB955.6 million.

Borrowings

Our total borrowings as at December 31, 2019 was RMB2,618.7 million, an increase of RMB676.9 million compared to RMB1,941.8 million as at December 31, 2018, mainly due to an upswing in our PC unit manufacturing business, which required us to expand production, increase investment and replenish liquidity in advance. As at December 31, 2019, we had approximately RMB4,780 million (lines of credit) in bank facilities (of which approximately RMB1,574.1 million are still unused).

Capital expenditures

Our previous capital expenditures were mainly due to the acquisition of property, plant and equipment, right-of-use assets/lease prepayment and intangible assets, the acquisition of financial assets at fair value through profit or loss, and the acquisition of interests in associates. Our capital expenditures in 2018 and 2019 were RMB975.0 million and RMB1,455.8 million, respectively.

Net current liabilities

We recorded approximately RMB135.8 million in net current liabilities as at December 31, 2018, compared with approximately RMB316.4 million as at December 31, 2019, mainly due to a significant increase in our use of cash to meet our huge financing needs for business expansion and research and development activities. We plan to continue to improve our net current liability position through the following measures: (i) improving our capital management primarily through the use of equity financing, while reducing the use of short-term borrowings to meet financing needs, so to support business expansion; (ii) expanding financing channels and reducing the use of our own funds for long-term investments; and (iii) coordinating with customers on the settlement of trade debtors and bills receivable and notes 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, 2018, our restricted and pledged bank deposits were RMB187.3 million, while for the year ended December 31, 2019, our restricted and pledged bank deposits were RMB277.8 million.

Off-balance sheet commitments and arrangements

As of December 31, 2019, we had no off-balance sheet arrangements other than financial guarantee contracts.

Future plan for significant investments and capital assets

For the year ended December 31, 2019, save as those disclosed in this announcement, 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, 2019, the Group did not make any major acquisitions, disposals of subsidiaries and associates.

Employees and remuneration policy

In 2019, we had 4,296 full-time employees (annual average). We expect to continue to employ more people in mainland China. According to our human resources strategy, we offer competitive remuneration to employees. During the Reporting Period, our total remuneration expenses (including share-based remuneration expenses) were RMB564.8 million, an increase of 27.3% compared with RMB443.6 million for the year ended December 31, 2018. The increase was mainly due to the expansion of our PC unit manufacturing business, hiring of additional staff, and pay rises.

3. Commitments

Operating Leases

We have initially applied IFRS 16 using the modified retrospective approach. Under this approach, we adjusted the opening balances as of January 1, 2019 to recognize lease liabilities relating to these leases. From January 1, 2019 onwards, future lease payments are recognized as lease liabilities in the statement of financial position. For details, please refer to "Notes to the financial information – 17 Lease Liabilities".

Capital Commitments

Save as operating lease commitments, our capital commitments in relation to acquisition of property, plant and equipment as of the dates indicated, are set forth below:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Contracted for	**179,814**	90,587
Total	**179,814**	90,587

4. Financial ratios

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

	Year ended December 31,	
	2019	2018
Current ratio[(1)]	**0.9**	1.0
Quick ratio[(2)]	**0.9**	0.9
Gearing ratio[(3)]	**62.9%**	67.4%
Return on total assets[(4)]	**8.0%**	6.5%
Return on equity[(5)]	**19.2%**	16.7%
Interest coverage ratio[(6)]	**8.2**	8.7

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) Gearing 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 annual/annualized profits divided by average of total assets at the beginning and end of the year.

(5) Return on equity equals to annual/annualized profits 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

As at December 31, 2018 and 2019, our current ratios were 1.0 and 0.9, respectively. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed "Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities".

Quick Ratio

As at December 31, 2018 and 2019, our quick ratios were 0.9 and 0.9, respectively. For further details regarding the movements of our current assets and current liabilities, please refer to the section headed "Management Discussion and Analysis – Working capital and capital resources – Net Current Liabilities".

Gearing Ratio

As at December 31, 2018 and 2019, our gearing ratios were 67.4% and 62.9%, respectively. Such movement is primarily attributable to the fact that we introduced financial investment by the issuance of H shares in 2019 and our profits increased.

Return on Total Assets

For the years ended December 31, 2018 and 2019, our returns on total assets were 6.5% and 8.0%, respectively. Return on total assets for 2019 recorded a year-on-year increase of 1.5 percentage points.

Return on Equity

For the years ended December 31, 2018 and 2019, our returns on equity were 16.7% and 19.2%, respectively. Return on equity for 2019 recorded a year-on-year increase of 2.5 percentage points.

Interest Coverage Ratio

For the years ended December 31, 2018 and 2019, our interest coverage ratios were 8.7 times and 8.2 times, respectively. Interest coverage ratio for 2019 remained flat as compared with the same period of last year.

5. Significant Events after the Reporting Period

For details, please refer to "Notes to the financial information – 19 Subsequent Events".

FINANCIAL INFORMATION

1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2019

	Note	**Year ended December 31, 2019**	2018
		(RMB'000)	
Revenue	*3*	**3,369,416**	2,269,129
Cost of sales		**(2,225,397)**	(1,544,582)
Gross profit		**1,144,019**	724,547
Net valuation gains on investment properties		**20,284**	53,871
Other income		**64,321**	32,044
Sales and distribution expenses		**(217,928)**	(111,746)
General and administrative expenses		**(232,332)**	(229,182)
Research and development expenses		**(177,752)**	(125,971)
Profit from operations		**600,612**	343,563
Finance costs		**(102,404)**	(72,412)
Fair value changes on financial assets at fair value through profit or loss		**12,600**	–
Share of profits less losses of associates	*10*	**(35,062)**	(98,321)
Gains on disposal of subsidiaries		**–**	108,439
Gains on loss of significant influence in associates		**248,188**	261,494
Gains on disposal of partial interest in associates		**7,580**	–
Gains on disposal of associates		**2,162**	11,506
Profit before taxation		**733,676**	554,269
Income tax	*5*	**(56,757)**	(87,965)
Profit for the year		**676,919**	466,304
Other comprehensive income for the year (after tax)			
Items that will not be reclassified to profit or loss:			
Reclassification of property, plant and equipment to investment properties		**–**	247
Total comprehensive income for the year		**676,919**	466,551
Earnings per share *(RMB)*	*7*		
Basic *(RMB)*	*7*	**1.76**	1.28
Diluted *(RMB)*	*7*	**1.76**	1.28

2. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019

	Note	Year ended December 31, 2019	2018
		(RMB'000)	
Non-current assets			
Investment property		**310,169**	324,033
Property, plant and equipment	*8*	**1,756,894**	1,173,956
Lease prepayments		**–**	280,325
Intangible assets	*9*	**262,758**	161,616
Right-of-use assets		**366,529**	–
Deferred tax assets		**37,133**	36,291
Interest in associates	*10*	**378,644**	663,808
Financial assets at fair value through profit or loss	*11*	**1,740,938**	833,357
Total non-current assets		**4,853,065**	3,473,386
Current assets			
Inventories	*12*	**265,664**	375,689
Contact assets	*13*	**564,554**	929,992
Trade and other receivables	*14*	**2,521,624**	2,062,994
Restricted and pledged bank deposits		**277,769**	187,349
Cash and cash equivalents		**1,084,750**	296,475
Total current assets		**4,714,361**	3,852,499
Total assets		**9,567,426**	7,325,885
Current liabilities			
Short-term borrowings	*15*	**2,345,233**	1,543,894
Trade and other payables	*16*	**2,406,703**	1,933,213
Contract liabilities	*13*	**237,976**	497,102
Lease liabilities	*17*	**22,211**	–
Deferred income		**4,839**	4,538
Current taxation		**13,759**	9,532
Total current liabilities		**5,030,721**	3,988,279
Net current liabilities		**(316,360)**	(135,780)
Total assets less current liabilities		**4,536,705**	3,337,606

	Note	Year ended December 31, 2019	2018
		(RMB'000)	
Non-current liabilities			
Lease liabilities	*17*	**43,335**	–
Deferred tax liabilities		**14,911**	12,520
Deferred income		**38,958**	44,475
Long-term borrowings	*15*	**273,460**	397,888
Total non-current liabilities		**370,664**	454,883
Net Assets		**4,166,041**	2,882,723
Capital and Reserves			
Share capital		**487,639**	304,670
Reserves		**3,678,402**	2,578,053
Total equity attributable to equity shareholders of the Company		**4,166,041**	2,882,723
Total Equity		**4,166,041**	2,882,723

3. CONSOLIDATED CASH FLOW STATEMENTS

Year ended December 31, 2019

	Year ended December 31, 2019	2018
	RMB'000	
Net cash generated from operating activities	**967,056**	618,296
Net cash used in investing activities	**(1,307,209)**	(785,560)
Net cash generated from/(used in) financing activities	**1,129,410**	(212,203)
Net (decrease)/increase in cash and cash equivalents	**789,257**	(379,467)
Effect of foreign exchange rate changes	**(982)**	–
Cash and cash equivalents at the beginning of year	**296,475**	675,942
Cash and cash equivalents at the end of year	**1,084,750**	296,475

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2019

	Attributable to equity shareholders of the Company *(RMB'000)*						
	Share capital	**Capital reserve**	**Statutory surplus reserve**	**Fair value reserve (non-recycling)**	**Special reserve**	**Retained earnings**	**Total equity**
Balance at January 1, 2018	304,670	1,501,701	37,523	4,961	–	858,119	2,706,974
Changes in equity for 2018							
Profit for the year	–	–	–	–	–	466,304	466,304
Other comprehensive income	–	–	–	247	–	–	247
Total comprehensive income	–	–	–	247	–	466,304	466,551
Appropriation for surplus reserve	–	–	77,978	–	–	(77,978)	–
Equity settled share-based transactions	–	13,868	–	–	–	–	13,868
Appropriation of profit	–	–	–	–	–	(304,670)	(304,670)
Balance at December 31, 2018	304,670	1,515,569	115,501	5,208	–	941,775	2,882,723
Balance at January 1, 2019	**304,670**	**1,515,569**	**115,501**	**5,208**	**–**	**941,775**	**2,882,723**
Changes in equity for 2019							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**676,919**	**676,919**
Other comprehensive income	**–**	**–**	**–**	**(3,185)**	**–**	**3,185**	**–**
Total comprehensive income	**–**	**–**	**–**	**(3,185)**	**–**	**680,104**	**676,919**
Issuance of H Shares	**122,035**	**833,600**	**–**	**–**	**–**	**–**	**955,635**
Conversion of capital reserve to share capital	**60,934**	**(60,934)**	**–**	**–**	**–**	**–**	**–**
Appropriation for surplus reserve	**–**	**–**	**24,917**	**–**	**–**	**(24,917)**	**–**
Equity settled share-based transactions	**–**	**16,368**	**–**	**–**	**–**	**–**	**16,368**
Appropriation of profit	**–**	**–**	**–**	**–**	**–**	**(365,604)**	**(365,604)**
Balance at December 31, 2019	**487,639**	**2,304,603**	**140,418**	**2,023**	**–**	**1,231,358**	**4,166,041**

NOTES TO FINANCIAL INFORMATION

Year ended December 31, 2019

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION

The Company was established as a limited liability company with a registered capital of RMB255,000,000 by Mr. Zhang Jian and Mrs. Liu Hui in Changsha, Hunan Province, the PRC on April 30, 2006. On July 12, 2013, the registered capital of the Company increased to RMB285,770,000 as a result of the introduction of new investors. On December 10, 2015, the Company was converted into a joint stock company with limited liability and the name was changed to Changsha Broad Homes Industrial Group Co., Ltd. 長沙遠大住宅工業集團股份有限公司. On December 27, 2017, the registered capital of the Company further increased to RMB304,670,000 from the new investors. On March 28, 2019, the registered capital of the Company further increased to RMB365,604,000 as a result of conversion of capital reserve to share capital. On November 6, 2019, the H Shares of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange, and 121,868,000 H Shares were issued at an issue price of HK$9.68 each. In addition, the Company issued and allotted 167,400 H Shares through partial exercise of the Over-allotment Option. For details, please refer to the announcement of the Company dated November 28, 2019. Total proceeds from the Global Offering were approximately HK$1,181,302,672.00 (equivalent to approximately RMB1,056,950,407.45). Upon completion of the initial public offering, the registered capital of the Company increased to RMB487,639,400.00, including circulating H Shares listed in Hong Kong of 122,035,400 and unlisted Domestic Shares of 365,604,000. For details, please refer to the Next Day Disclosure Return published by the Company on December 3, 2019.

The Group is principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing ("**PC Unit Manufacturing**") and prefabricated concrete equipment manufacturing ("**PC Equipment Manufacturing**"). The Group is also engaged in construction contracting business.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. Financial information is prepared in accordance with all applicable International Financial Reporting Standards (the "**International Financial Reporting Standards**"), which collectively include all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (the "**International Accounting Standards Board**"). Financial information is prepared on a going concern basis. Financial information is prepared on a historical cost basis, except for financial assets at fair value through profit or loss which are measured at fair value.

All the members of the Group adopt December 31 as the end of the balance sheet date. Unless otherwise specified, the financial information is presented in Renminbi and rounded to the nearest thousand. The functional currency determined by each entity of the Group will be the currency of the major economic environment in which it operates. The functional currency of the Company and its subsidiaries is RMB.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Possible Impact of Issued But not Yet Effective Revised and New Accounting Standards and the Interpretation Announcements for the Accounting Period Ending on December 31, 2019

As of the date of issuance of these financial statements, the International Accounting Standards Committee has issued certain revised and new accounting standards. These revised and new accounting standards have not yet come into effect during the accounting period ending on December 31, 2019 and have not been used in these financial statements. Revised and new accounting standards that may be relevant to the Group are listed below:

		Effective for accounting years beginning on or after
Amendments to IAS 1 and IAS 8	Definition of materiality	January 1, 2020
Amendments to IFRS 3	Definition of business	January 1, 2020

2.2 IFRS 16 – Lease

The Group applied IFRS 16 for the first time since January 1, 2019. The Group adopts the modified retrospective method and therefore recognizes the cumulative impact of initial application as the adjustment of equity balance at the beginning of January 1, 2019. The comparative data have not been restated and continue to be reported in accordance with IAS 17.

The following table summarizes the impact of adopting the IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount as at December 31, 2018	**Capitalization of operating leases**	**Reclassification of lease prepayments**	**Carrying amount as at January 1, 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	–	53,763	280,325	334,088
Lease prepayments	280,325	–	(280,325)	–
Total non-current assets	3,473,386	53,763	–	3,527,149
Trade and other receivables	2,062,994	(1,988)	–	2,061,006
Total current assets	3,852,499	(1,988)	–	3,850,511
Lease liabilities (current)	–	20,965	–	20,965
Current liabilities	3,988,279	20,965	–	4,009,244
Net current liabilities	(135,780)	(22,953)	–	(158,733)
Total assets less current liabilities	3,337,606	30,810	–	3,368,416
Lease liabilities (non-current)	–	30,810	–	30,810
Total non-current liabilities	454,883	30,810	–	485,693
Net assets	2,882,723	–	–	2,882,723

Impact on the financial results and segment results of the Group

	Year ended December 31, 2019				Year ended December 31, 2018
	Amounts reported under IFRS 16	Add back: IFRS 16 depreciation and interest expense	Deduct: Estimated amounts related to operating lease as if under IAS 17	Hypothetical amounts for year ended December 31, 2019 as if under IAS 17	Compared to amounts reported for year ended December 31, 2018 as if under IAS 17
	(A)	(B)	(C)	(D)=(A)+(B)-(C)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial results as of December 31, 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**600,612**	**24,810**	**(26,478)**	**598,944**	**343,563**
Finance costs	**(102,404)**	**2,562**	**–**	**(99,842)**	**(72,412)**
Profit before taxation	**733,676**	**27,372**	**(26,478)**	**734,570**	**554,269**
Profit for the year	**676,919**	**27,372**	**(26,478)**	**677,813**	**466,304**
Reportable segment profit as of December 31, 2019 impacted by the adoption of IFRS 16:					
– PC Unit Manufacturing	**386,494**	**27,372**	**(26,478)**	**387,388**	**129,662**
– Total	**659,615**	**27,372**	**(26,478)**	**660,509**	**485,535**

Impact on the cash flow of the Group

	Year ended December 31, 2019			Year ended December 31, 2018
	Amounts reported under IFRS 16	Estimated amounts related to operating leases as if under IAS 17	Hypothetical amounts for year ended December 31, 2019 as if under IAS 17	Compared to amounts reported for year ended December 31, 2018 as if under IAS 17
	(A)	(B)	(C)=(A)+(B)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Line items in the consolidated cash flow statement as of December 31, 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	1,027,087	(22,320)	1,004,767	713,413
Net cash generated from operating activities	967,056	(22,320)	944,736	618,296
Capital element of lease rentals paid	(19,758)	19,758	–	–
Interest element of lease rentals	(2,562)	2,562	–	–
Net cash generated from/(used in) financing activities	1,129,410	22,320	1,151,730	(212,203)

3. REVENUE AND SEGMENT INFORMATION

Segmental results for the years ended December 31, 2019 and 2018 are set out below:

	Year ended December 31,					
	2019			2018		
	PC Unit Manufacturing	**PC Equipment Manufacturing**	**Construction contracting**	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracting
			(RMB'000, except in %)			
Revenue	**2,303,660**	**896,768**	**168,988**	854,334	1,226,268	188,527
Cost of sales	**1,505,757**	**592,286**	**127,354**	650,691	759,864	134,027
Gross profit	**797,903**	**304,482**	**41,634**	203,643	466,404	54,500
Gross profit margin	**34.6%**	**34.0%**	**24.6%**	23.8%	38.0%.	28.9%

4. PROFIT BEFORE TAXATION

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

Finance costs:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**107,207**	72,030
Interest on discounted bills	**–**	5,649
Interest on lease liabilities	**2,562**	–
Interest income	**(5,236)**	(5,267)
Net foreign exchange gain	**(2,129)**	–
Total	**102,404**	72,412

Staff costs:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Salaries, wages, bonuses and other benefits	**526,107**	409,068
Equity-settled share-based payment expenses	**16,368**	13,868
Contributions to defined contribution retirement plan	**22,293**	20,673
Total	**564,768**	443,609

Other items:

	Year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Amortisation		
– lease prepayments	**–**	8,491
– intangible assets	**14,037**	12,429
Depreciation		
– property, plant and equipment	**113,208**	94,136
– right-of-use assets	**31,892**	–
Impairment losses		
– trade and other receivables and contract assets	**13,212**	78,120
– inventories	**1,571**	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	**–**	33,816
Auditors' remuneration		
– audit services	**2,717**	1,085
Cost of inventories	**2,098,403**	995,813

5. TAXATION

5.1 VAT

According to PRC tax laws and regulations, the Group is primarily subject to 6% and 13% VAT and VAT-based surcharges.

5.2 Income tax

According to PRC tax laws and regulations, the Company and its subsidiaries are required to calculate and accrue the current income tax through the applicable tax rate for taxable profits in the year. The general enterprise income tax rate in the PRC is 25%. Of the Company and its subsidiaries, 13 have been approved as high-tech enterprises, and therefore can enjoy a preferential income tax rate of 15%.

An analysis of the Group's income tax expenses as of the years indicated is as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	
Current income tax	**55,208**	82,022
Deferred income tax	**1,549**	5,943
Total	**56,757**	87,965

6. DIVIDEND

As approved at the annual general meeting held on May 30, 2018, a cash dividend of RMB1 per Share was distributed based on 304,670,000 ordinary shares for the year ended December 31, 2017, totaling RMB304,670,000, which were fully paid on June 25, 2018.

As approved at the annual general meeting held on June 6, 2019, a cash dividend of RMB1 per Share was distributed based on 365,604,000 ordinary shares for the year ended December 31, 2018, totaling RMB365,604,000, which were fully paid in 2019.

On March 26, 2020, the Directors proposed a final dividend for the year ended December 31, 2019 of RMB0.5 per ordinary shares (inclusive of applicable tax), which has not been recognised as a liability at December 31, 2019.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per Share is based on the profit attributable to equity shareholders of the Company for the years ended December 31, 2018 and 2019 of RMB466,304 thousand and RMB676,919 thousand, respectively, and the weighted average number of shares for the years ended December 31, 2018 and 2019 of 365,604,000 and 384,314,856 (after adjusting for the conversion of capital reserve to share capital in 2019), calculated as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	
Number of ordinary shares at the beginning of the year	**304,670,000**	304,670,000
Effect of issuing of shares	**18,710,856**	–
Number of shares increased due to conversion of capital reserve to share capital	**60,934,000**	60,934,000
Weighted average number of issued shares	**384,314,856**	365,604,000
Earnings per Share *(RMB)*		
Basic *(RMB)*	**1.76**	1.28
Diluted *(RMB)*	**1.76**	1.28

8. 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 January 1, 2018	375,072	733,591	21,797	25,212	19,279	78,645	1,253,596
Additions	3,512	113,122	3,169	1,435	2,495	223,845	347,578
Transferred from construction in progress	38,149	41,019	–	–	–	(79,168)	–
Disposals	–	(13,347)	(596)	(892)	(2,203)	(11,045)	(28,083)
Balance at December 31, 2018	416,733	874,385	24,370	25,755	19,571	212,277	1,573,091
Balance at January 1, 2019	**416,733**	**874,385**	**24,370**	**25,755**	**19,571**	**212,277**	**1,573,091**
Additions	**19,814**	**207,559**	**2,481**	**2,100**	**1,269**	**472,720**	**705,943**
Transferred from construction in progress	**402,687**	**227,051**	**–**	**–**	**–**	**(629,738)**	**–**
Disposals	**(131)**	**(7,356)**	**(798)**	**(672)**	**(936)**		**(9,893)**
Balance at December 31, 2019	**839,103**	**1,301,639**	**26,053**	**27,183**	**19,904**	**55,259**	**2,269,141**

	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*
Accumulated depreciation:							
Balance at January 1, 2018	(51,811)	(227,352)	(12,027)	(10,779)	(7,887)	–	(309,856)
Depreciation charge for the year	(13,481)	(70,991)	(2,944)	(1,484)	(5,236)	–	(94,136)
Written back on disposals	–	3,155	531	438	733	–	4,857
Balance at December 31, 2018	(65,292)	(295,188)	(14,440)	(11,825)	(12,390)	–	(399,135)
Balance at January 1, 2019	**(65,292)**	**(295,188)**	**(14,440)**	**(11,825)**	**(12,390)**	**–**	**(399,135)**
Depreciation charge for the year	**(17,600)**	**(94,900)**	**(2,907)**	**(1,733)**	**(1,349)**	**–**	**(118,489)**
Written back on disposals	**65**	**3,541**	**782**	**609**	**380**	**–**	**5,377**
Balance at December 31, 2019	**(82,827)**	**(386,547)**	**(16,565)**	**(12,949)**	**(13,359)**	**–**	**(512,247)**
Net book value:							
Balance at December 31, 2018	351,441	579,197	9,930	13,930	7,181	212,277	1,173,956
Balance at December 31, 2019	**756,276**	**915,092**	**9,488**	**14,234**	**6,545**	**55,259**	**1,756,894**

9. INTANGIBLE ASSETS

	Software *RMB'000*	Capitalized development costs *RMB'000*	Total *RMB'000*
Cost:			
Balance at January 1, 2018	14,591	93,693	108,284
Additions	9,163	81,752	90,915
Disposals	(85)	(1,408)	(1,493)
Balance at December 31, 2018	23,669	174,037	197,706
Balance at January 1, 2019	23,669	174,037	197,706
Additions	8,197	111,840	120,037
Disposals	–	–	–
Balance at December 31, 2019	31,866	285,877	317,743
Accumulated amortization:			
Balance at January 1, 2018	(8,050)	(15,615)	(23,665)
Amortization for the year	(2,537)	(9,892)	(12,429)
Written back on disposal	4	–	4
Balance at December 31, 2018	(10,583)	(25,507)	(36,090)
Balance at January 1, 2019	(10,583)	(25,507)	(36,090)
Amortization for the year	(3,697)	(15,198)	(18,895)
Balance at December 31, 2019	(14,280)	(40,705)	(54,985)
Net book value:			
Balance at December 31, 2018	13,086	148,530	161,616
Balance at December 31, 2019	17,586	245,172	262,758

10. INTEREST IN ASSOCIATES

	Year ended December 31, **2019** *(RMB'000)*	2018
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**378,644**	663,808
Aggregate amounts of the group's share of those associates		
Losses from operations	**(35,062)**	(98,321)
Other comprehensive income		
Total comprehensive income	**(35,062)**	(98,321)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31, 2019	2018
	(RMB'000)	
Financial assets at fair value through profit or loss		
– Equity investment	**1,740,938**	833,357
	1,740,938	833,357

12. INVENTORIES

	Year ended December 31, 2019	2018
	(RMB'000)	
Raw materials	**120,876**	102,423
Work in progress	**63,839**	179,259
Finished goods	**80,018**	92,456
Consignment stock	**2,502**	1,551
Less: provision for impairment of inventories	**(1,571)**	
Total	**265,664**	375,689

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

Our contract assets are derived from our construction contracts. We usually require customers to settle progress payment after the completion of key milestones during the construction period. Such arrangement of progress payment can effectively prevent us from accumulating excess contract assets. We usually receive 95% of contract value from our customers after the completion, acceptance and final settlement of projects, while 5% of contract value is retained as warranty deposit and will be returned after one to five years from the date of acceptance of projects.

We receive prepayments before the production activities commence, which will give rise to contract liabilities. We typically receive a prepayment of 20% of the total contract value before production of our PC units and a prepayment of 50% of the total contract value before production of our PC equipment.

The following table sets out the details of contract assets as of the indicated dates:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Arising from the performance of construction contracts	**577,370**	944,135
Less: loss allowance provision	**(12,816)**	(14,143)
Total	**564,554**	929,992

The following table sets out the details of contract liabilities as of the indicated dates:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Billings in advance of performance (for sale of PC units and PC equipment)	**237,976**	497,102
Total	**237,976**	497,102

14. TRADE AND OTHER RECEIVABLES

The following table sets out the components of our trade and other receivables as of the dates indicated:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Trade debtors	**2,371,709**	1,807,123
Bills receivable	**68,593**	6,900
Less: allowance for doubtful debts	**(110,008)**	(81,438)
	2,330,294	1,732,585
Other receivables	**80,839**	228,163
Less: allowance for doubtful debts	**(5,735)**	(25,342)
	75,104	202,821
Prepayments	**58,063**	81,887
Prepaid expenses	**2,482**	14,251
Deductible VAT	**37,476**	19,501
Others	**18,205**	11,949
Total	**2,521,624**	2,062,994

The aging analysis of trade debtors and bills receivable, based on the invoice date and net of impairment allowance, is as follows:

	Year ended December 31, **2019**	2018
	(RMB'000)	
Within 1 month	**264,213**	260,812
Over 1 month but less than 1 year	**1,229,844**	722,569
1 to 2 years	**465,842**	589,471
2 to 3 years	**299,722**	121,680
3 to 4 years	**59,973**	34,031
4 to 5 years	**10,700**	4,022
More than 5 years	**–**	–
Total	**2,330,294**	1,732,585

15. BORROWINGS

The following table sets forth components of our current interest-bearing borrowings as of the indicated dates:

	Year ended December 31, **2019**	2018
	(RMB'000)	
Long-term borrowings due within one year	**361,178**	468,894
Long-term borrowings	**273,460**	397,888
Short-term borrowings	**1,984,055**	1,075,000
Total	**2,618,693**	1,941,782

16. TRADE AND OTHER PAYABLES

The below table sets out the components of our trade and other payables as of the indicated dates:

	Year ended December 31, **2019**	2018
	(RMB'000)	
Trade creditors	**1,372,649**	1,130,019
Bills payable	**842,962**	711,195
Trade creditors and bills payable	**2,215,611**	1,841,214
Accrued staff costs	**30,956**	13,557
VAT payable	**82,137**	30,437
Sundry taxes payable	**5,736**	12,177
Security deposits	**18,826**	15,882
Interest payable	**3,179**	2,527
Withholding tax	**1,300**	3,005
Other accrued expenses and payables	**48,958**	14,414
Total	**2,406,703**	1,933,213

The following table sets forth the aging analysis of trade creditors and bills payable for the indicated periods, based on the invoice date:

	Year ended December 31,	
	2019	2018
	(RMB'000)	
Within one year	**2,025,634**	1,619,563
One to two years	**77,995**	102,046
Two to three years	**28,613**	72,816
More than three years	**83,369**	46,789
Total	**2,215,611**	1,841,214

17. LEASE LIABILITIES

The following table sets out the remaining contractual maturities of the Group's lease liabilities as at the end of the current and previous reporting periods and as at the date of transition to IFRS 16:

	As at December 31, 2019		**As at January 1, 2019**		As at December 31, 2018	
	Present value of minimum lease payments	**Total minimum lease payments**	**Present value of minimum lease payments**	**Total minimum lease payments**	Present value of minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
With 1 year	**22,211**	**25,087**	**20,966**	**21,381**	–	–
After 1 year but within 2 years	**19,872**	**21,551**	**16,318**	**17,569**	–	–
After 2 years but within 3 years	**9,622**	**10,461**	**11,980**	**13,588**	–	–
After 3 years	**13,841**	**14,553**	**2,511**	**3,032**	–	–
	65,546	**71,652**	**51,775**	**55,570**	–	–
Less: total future interest expenses	**–**	**(6,106)**	**–**	**(3,795)**	–	–
Present value of lease liabilities	**65,546**	**65,546**	**51,775**	**51,775**	–	–

18. CONTINGENT LIABILITIES

Save as disclosed above, during the Reporting Period, we did not have any material purchase commitment, guarantees or other material contingent liabilities.

19. SUBSEQUENT EVENTS

The COVID-19 pneumonia epidemic has exerted significant impact on the economic operation across the whole nation. On the one hand, we actively cooperate with the government's epidemic prevention and control tasks. On the other hand, we make full use of such "gap" and actively get prepared for the upcoming work resumption after the epidemic. According to our preliminary assessment, it is expected that our performance in the first quarter of 2020 will be affected to some extent. However, as the Spring Festival Holiday falls in the first quarter and the cold weather also has a negative impact on construction activities, the first quarter is a slack season for market demand in the industry. Therefore, the Company considers that the impact of the epidemic on our overall performance throughout the year will be under control.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's H Shares during the period from the Listing Date to December 31, 2019.

Audit Committee

The Audit Committee and the Auditors have reviewed the audited consolidated financial statements of the Company for the year ended December 31, 2019. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and has discussed on matters such as audit, risk management, internal control and financial reporting.

Procedures Implemented by Auditors for the Results Announcement

The consolidated statement of financial position, consolidated statement of comprehensive income and relevant notes in respect of the preliminary announcement of the Group's annual results for the year ended December 31, 2019 have been agreed by the Company's Auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work carried out by KPMG in this regard did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants. Therefore, KPMG did not make any assurance on the preliminary annual results announcement.

Compliance with the Corporate Governance Code

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

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

During the period from the Listing Date to December 31, 2019, the Company has complied with all the applicable code provisions contained in the Corporate Governance Code.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors in securities transactions. Upon making specific inquiries to all Directors and Supervisors, each of them confirmed that they had complied with the required standards contained in the Model Code during the period from the Listing Date to December 31, 2019.

Payment of final dividend

The Board has proposed the payment of a final dividend for the year ended December 31, 2019 of RMB0.5 per Share (tax inclusive), being approximately RMB243,819,700 in total. Pursuant to the Articles of Association, dividends of Domestic Shareholders shall be distributed and paid in Renminbi, whereas those to H Shareholders shall be denominated and declared in Renminbi and paid in Hong Kong dollars. After the profit distribution plan is resolved at the AGM, the dividends shall be paid within two months from the conclusion of the AGM. The final dividend is subject to approval by the Shareholders at the AGM to be held on Friday, May 15, 2020 and is expected to be paid on Wednesday, June 24, 2020 to the Shareholders whose names appear on the register of members on Tuesday, May 26, 2020. In case there is any change in the share capital of the Company before the AGM, the dividend paid on each Share will be adjusted accordingly and the total profit available for distribution will remain unchanged.

For matters regarding the closure of register of members, please refer to the "Closure of Register of Members".

Closure of Register of Members

The AGM will be convened on Friday, May 15, 2020. In order to ascertain Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, April 15, 2020 to Friday, May 15, 2020 (both days inclusive). H Shareholders and Domestic Shareholders whose names appear on the register of members of the Company at the opening of business on Friday, May 15, 2020 shall be eligible to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all duly completed transfer forms accompanied by the relevant Share certificates of H Shareholders shall be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Tuesday, April 14, 2020.

In order to ascertain Shareholders' entitlement to receive the final dividend, the register of members of the Company will also be closed from Thursday, May 21, 2020 to Tuesday, May 26, 2020 (both days inclusive). In order to qualify for receiving the final dividends (subject to approval by the Shareholders), all duly completed transfer forms accompanied by the relevant Share certificates of H Shareholders shall be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, May 20, 2020.

Use of Proceeds from Listing

H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2019. 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 and a par value of RMB1.00 per Share. For details, please refer to the announcements of the Company dated November 5, 2019 and November 28, 2019. Net proceeds from the Global Offering (including partial exercise of the Over-allotment Option) were approximately HK$1,111.7 million (after deducting underwriting commissions and related listing expenses). As of December 31, 2019, net proceeds of approximately HK$1,008.7[1] million remained unutilized.

Net listing proceeds (adjusted on a pro rata basis according to the actual net proceeds) have been and will be utilized in the manner as set out in the prospectus. The table below sets forth the planned use and actual use of net proceeds as of December 31, 2019:

Use of Proceeds	**Allocation of Net Proceeds** *(%)*	**Allocation of Net Proceeds** *(HK$ million)*	**Amount Utilized (as of December 31, 2019)** *(HK$ million)*	**Amount Unutilized (as of December 31, 2019)** *(HK$ million)*	**Expected Time of Utilization**
(I) Expanding Our PC Unit Manufacturing Business	45%	500.2	20.4	479.8	Before December 31, 2022
(1) Establishing Wholly-owned Regional Production Centers in Key Strategic Regions	36%	400.2	0.7	399.5	Before December 31, 2020
(2) Expanding our Factories and Upgrading our Equipment in Existing Regional Production Centers	9%	100.0	19.7	80.3	Before December 31, 2022
(II) Expansion in Overseas Market	20%	222.3	–	222.3	Before December 31, 2021
(III) Developing and Expanding our Intelligent Equipment Business	15%	166.8	1.5	165.3	Before December 31, 2022
(IV) Developing and Establishing an Intelligent Service Platform in the Prefabricated Construction Industry	10%	111.2	0.7	110.5	Before December 31, 2021
(V) Working Capital and Other General Corporate Purposes	10%	111.2	81.0	30.2	Before December 31, 2020
Total	100%	1,111.7	103.6	1,008.7[1]	

Note:

(1) Of the net proceeds of approximately HK$1,111.7 million, approximately HK$103.6 million had been utilized as of December 31, 2019, gains of approximately HK$0.6 million were generated from deposits and approximately HK$1,008.7 million remained unutilized as of December 31, 2019.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.bhome.com.cn). The full text of the 2019 annual report of the Company will be despatched to Shareholders and published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (http://www.bhome.com.cn) in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend sincere gratitude to customers, suppliers and partners for their trust in the Company, to all employees and management for their outstanding contributions, and to Shareholders for their continuous support.

On behalf of the Board
Changsha Broad Homes Industrial Group Co., Ltd.
Zhang Jian
Chairman

Changsha, China, March 26, 2020

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

DEFINITIONS

In this announcement, unless the context otherwise indicates, the following terms shall have the meanings set out below:

"AGM"	the 2019 annual general meeting of the Company to be held at 10:00 a.m. on May 15, 2020 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
"Auditors"	KPMG, the Company's independent auditors
"B-Box"	modular building products of Broad House
"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
"Belt and Road Initiative"	the initiative related to the "New Silk Road Economic Belt" and "Maritime Silk Road of the 21st Century" which was initially proposed by Mr. Xi Jinping, the President of the PRC, in September 2014 and was formally proposed by the National Development and Reform Commission of the PRC, Ministry of Foreign Affairs of the PRC and Ministry of Commerce of the PRC on March 28, 2015
"BIM"	the building information model, a process involving the generation and management of digital representations of physical and functional characteristics of places
"Board"	the board of Directors of the Company
"Broad Homes United Program"	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region

"Company" or "Broad Homes"	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules
"Creating Value with Our Client"	proposal to assist target customers to optimize products and realize effective connection between technology and market and to provide services to Joint Factories, promote project cooperation and establish a long-term mechanism to ensure profitability
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic unlisted ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "we/us"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	overseas listed foreign investment share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong Dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Internet +"	"Internet + various traditional industries", leveraging information and communication technologies and Internet platforms to make the Internet and traditional industries deeply integrated to create a new development ecology
"JF Partners"	the shareholders of the Joint Factories other than us

"Joint Factory(ies)"	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. The Joint Factory also refers to the factory it operates and manages as context requires
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	November 6, 2019, the date on which the H Shares were listed and traded on the Main Board of the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
"Over-allotment Option"	the option granted by the Company in the Global Offering to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The Company issued 167,400 H shares from partial exercise of the over-allotment option on November 28, 2019
"PC" or "prefabricated concrete"	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
"PC-CPS"	cyber-physical-system, an intelligent system to manage the operation and production
"prefabricated building"	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Reporting Period"	the financial year ended December 31, 2019

"RMB" or "Renminbi"	the lawful currency of the PRC
"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
"Shareholder(s)"	holder(s) of our Share(s)
"Supervisor(s)"	the supervisor(s) of the Company
"two-level management strategy"	management model of Joint Factories with on level being Joint Factories with significant influence and the other being Joint Factories without significant influence
"VAT"	value-added tax
"%"	percent