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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)

PROPOSED A SHARE OFFERING AND RELATED MATTERS

PROPOSED A SHARE OFFERING AND RELATED MATTERS

Reference is made to the Company's announcement dated May 15, 2020 in relation to the Proposed A Share Offering.

The Board is pleased to announce that on June 18, 2020, the Board has considered and approved the resolutions regarding the Proposed A Share Offering and related matters. According to the Proposed A Share Offering plan, the Company intends to apply for an initial public offering of A Shares and listing on the ChiNext of the Shenzhen Stock Exchange for the allotment and issuance of no more than 86,054,000 A Shares (before the exercise of the over-allotment option) with a par value of RMB1.00 each. The Proposed A Share Offering will be subject to, among other things, the approval by Shareholders by way of special resolutions at the EGM and the Class Meetings, as well as obtaining necessary approvals or decisions from the CSRC and other relevant regulatory authorities.

Other resolutions related to the Proposed A Share Offering have been considered and approved at the relevant meetings of the Board and/or the Supervisory Committee. The main content of relevant resolutions are set out in the paragraph headed "OTHER RESOLUTIONS RELATED TO THE PROPOSED A SHARE OFFERING" below.

GENERAL

The Company will convene the EGM and the Class Meetings for the Shareholders to consider and, if thought fit, approve, among other things, the resolutions regarding the Proposed A Share Offering and related matters. A circular for the EGM and the Class Meetings containing, among other things, the details of the above resolutions, together with the notice of the EGM and the notices of the Class Meetings, will be despatched to the Shareholders in due course.

Shareholders and potential investors should be aware that there is no assurance that the Proposed A Share Offering will proceed, and that the Proposed A Share Offering is subject to the approval of, among others, the Shareholders, the CSRC and other relevant regulatory authorities. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company. The Company will make further announcement(s) in respect of the Proposed A Share Offering pursuant to all applicable requirements under the Hong Kong Listing Rules as and when appropriate.

I. PROPOSED A SHARE OFFERING

Reference is made to the announcement of the Company dated May 15, 2020 in relation to the Proposed A Share Offering.

The Board is pleased to announce that on June 18, 2020, the Board has considered and approved the resolutions regarding the Proposed A Share Offering and related matters. According to the Proposed A Share Offering plan, the Company intends to apply for an initial public offering of A Shares and listing on the ChiNext of the Shenzhen Stock Exchange for the allotment and issuance of no more than 86,054,000 A Shares (before the exercise of the over-allotment option) with a par value of RMB1.00 each. The Proposed A Share Offering will be subject to, among other things, the approval by Shareholders by way of special resolutions at the EGM and the Class Meetings, as well as obtaining necessary approvals or decisions from the CSRC and other relevant regulatory authorities.

Details of the Proposed A Share Offering and Listing are as follows:

1. Class and par value of Shares to be issued

The A Shares to be issued are RMB ordinary Shares (A Shares) with a par value of RMB1.00 each.

2. Offering size

The Company proposed to issue no more than 86,054,000 A Shares (before the exercise of the over-allotment option), which shall represent no more than 15% of the total enlarged share capital of the Company after the completion of the A Share Offering. The actual number of Shares to be issued under the A Share Offering shall be determined by the Board and its authorized person with the authorization of the shareholders at the EGM and the Class Meetings based on the capital needs of the Company and actual situation of the then securities market according to the requirements of relevant laws and regulations and shall be subject to approvals by securities regulatory authorities and the market conditions.

Please refer to “IV. EFFECTS OF THE PROPOSED A SHARE OFFERING ON SHAREHOLDING STRUCTURE OF THE COMPANY” below for effects on shareholding structure of the Company. The Company considers that the A Share Offering will not constitute substantial changes to the existing shareholding structure of the Company, and will not cause any material adverse changes to the governance and operation of the Company.

3. Target subscribers

The target subscribers are qualified price consultation investors and natural persons, legal persons and other institutions who are holders of securities accounts for RMB ordinary shares (A Shares) of the Shenzhen Stock Exchange entitled to trading on the ChiNext (except for those prohibited by national laws, administrative regulations, other applicable normative documents and other regulatory requirements that apply to the Company), unless otherwise required by the CSRC or the Shenzhen Stock Exchange.

If any of the above target subscribers of the Proposed A Share Offering is a connected person of the Company, the Company will comply with the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules (if applicable). As at the date of the announcement, none of the connected person(s) of the Company has indicated to the Company that he/she/it intends to participate in the subscription of the A Shares in such way which requires the Company to comply with the relevant requirements under the Hong Kong Listing Rules.

4. Method of offering

The A Share Offering will be conducted through below methods:

- (i) offline placement to price consultation investors;
- (ii) fixed-price issue to the public investors who apply through online subscription;
- (iii) placement to strategic investors: authorizing the Board to determine whether to make placement to strategic investors through negotiation with the underwriter and deal with all relevant matters related to placement to strategic investors, which include but are not limited to entering into placement agreement with strategic investors. For placement to strategic investors, the total number of Shares received by strategic investors through placement shall not exceed 20% of the total number of Shares under the A Share Offering;
- (iv) Over-allotment option: under the prerequisites of relevant laws and regulations and permission of the regulatory authorities, the Company and the lead underwriter can adopt the over-allotment option. If relevant laws and regulations and the regulatory authorities allow the adoption of the over-allotment option, the Board and the lead underwriter will be authorized to negotiate whether the over-allotment option should be adopted and all relevant matters in relation to the over-allotment option should be handled. The number of A Shares to be issued by exercising the over-allotment option shall not exceed 15% of the total number of A Shares under the A Share Offering; and
- (v) other methods as agreed by the CSRC and the Shenzhen Stock Exchange.

5. Pricing methodology

The offer price of the A Share Offering will be determined through initial price consultation by authorizing the Board and the lead underwriter to determine the offer price through initial price consultation, or determining the offer price through the book-building process after determining the range of offer price through initial consultation.

Based on the results of the initial consultation, the Board will fully consider, among other things, the following factors when determining the offer price: (i) the operational and financial conditions of the Company at that time; (ii) valuation of comparable companies; (iii) market situation of A Shares at that time; and (iv) the applicable laws and regulations, currently mainly including the Opinions on Further Promoting the IPO System Reform (《關於進一步推進新股發行體制改革的意見》), the Measures for the Administration of Securities Issuance and Underwriting (《證券發行與承銷管理辦法》), the Notice on Issues Concerning IPO Pricing (《關於新股發行定價相關問題的通知》), the Measures for the Administration of Registration of Initial Public Offering of Shares on the ChiNext (Trial) (《創業板首次公開發行股票註冊管理辦法(試行)》), the Rules for Implementation of Initial Public Offering of Securities and Underwriting on the ChiNext of the Shenzhen Stock Exchange (《深圳證券交易所創業板首次公開發行證券發行與承銷業務實施細則》). The Board considers that the above pricing methodology is in the interests of the Company and its Shareholders as a whole.

Pursuant to the Company Law, the offer price of the A Shares shall be not lower than the par value of the Shares of the Company, i.e. RMB1.00 per Share. There is no other legal or regulatory requirements stipulating the floor price in the A Share Offering.

The closing price of H Shares of the Company as at the date of this announcement was HK\$13.30 per H Share.

6. Method of underwriting

The A Shares under the A Share Offering will be issued by standby underwriting by the underwriting syndicate led by the sponsor (lead underwriter).

7. Proposed place of listing

The A Shares under the A Share Offering are proposed to be listed on the ChiNext of the Shenzhen Stock Exchange.

8. Time of offering and listing

The Company may determine the time of the A Share Offering within 12 months from the date on which the Company receives the decision from the CSRC on approving the registration of the A Share Offering. Upon approval by the Shenzhen Stock Exchange, the Board may negotiate with the lead underwriter to determine the specific date of listing of the A Shares.

9. Valid period of the resolution

The resolution shall be valid for 12 months from the date on which it is considered and approved by the EGM and the Class Meetings. If the Proposed A Share Offering and Listing could not be completed within 12 months from the date of approving the resolution at the EGM and the Class Meetings and the Company intends to continually proceed with the Proposed A Share Offering and Listing, the Company shall seek further approval from the Shareholders at the general meeting, the H Shareholders class meeting and the Domestic Shareholders class meeting, respectively, for any extension of such valid period.

II. OTHER RESOLUTIONS RELATED TO THE PROPOSED A SHARE OFFERING

Other resolutions related to the Proposed A Share Offering have also been considered and approved at the relevant meetings of the Board and/or the Supervisory Committee, which include, among others, (1) the resolution on proposed grant of authorization to the Board and its authorized person to deal with matters related to the Proposed A Share Offering and Listing at their full discretion; (2) the resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis; (3) the resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing; (4) the resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing; (5) the resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing; (6) the resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures; (7) the resolution on report of use of proceeds from previous fund raising activity of the Company; (8) the resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing; (9) the resolution on formulation of the articles of association of Changsha Broad Homes Industrial Group Co., Ltd. (Draft) applicable after the Proposed A Share Offering and Listing; (10) the resolution on formulation of the rules of procedure of general meetings of Changsha Broad Homes Industrial Group Co., Ltd. (Draft) applicable after the Proposed A Share Offering and Listing; (11) the resolution on formulation of the rules of procedure of board of directors of Changsha Broad Homes Industrial Group Co., Ltd. (Draft) applicable after the Proposed A Share Offering and Listing; (12) the resolution on formulation of the rules of procedure of supervisory committee of Changsha Broad Homes Industrial Group Co., Ltd. (Draft) applicable after the Proposed A Share Offering and Listing; (13) the resolution on adjustment to the composition of nomination committee under the Board; (14) the resolution on amendments to and addition of internal management policies of the Company; (15) the resolution on engagement of audit firms for the Proposed A Share Offering and Listing; and (16) the resolution on confirming the related party transactions of the Company during the reporting period.

The main content of relevant resolutions are summarized as follows, and the details of which will be set out in the circular for the EGM and the Class Meetings to be despatched to the Shareholders in due course.

1. Resolution on proposed grant of authorization to the Board and its authorized person to deal with matters related to the Proposed A Share Offering and Listing at their full discretion

In order to ensure the smooth execution of matters related to A Share Offering and Listing, a resolution on authorizing the Board and its authorized person to deal with matters related to the A Share Offering and Listing at their full discretion will be proposed at the EGM and the Class Meetings. The authorization proposed to be granted to the Board and its authorized person includes but not limited to the following:

- (1) to deal with the application, reporting and relevant procedural works of the A Share Offering and Listing, including but not limited to applying for approval from, registering with, filing with and seeking approvals and consents from relevant governmental departments, regulatory authorities, stock exchanges and securities clearing institutions; to sign, execute, amend and complete all necessary documents related to the A Share Offering and Listing (including but not limited to the letter of intent for offering, prospectus, sponsor agreement, underwriting agreement, listing agreement, statement and undertaking and various announcements);
- (2) to determine the details of offering size, target subscribers, offering price, method and time of offering based on the offering proposal considered and approved at the general meetings and the class meetings;
- (3) to make necessary adjustment to relevant detailed plans based on the implementation of the A Share Offering and Listing proposal, market conditions, changes in policies and opinions from the regulatory authorities;
- (4) to determine the detailed project implementation plan based on the total investment amount of each investment project to be financed by the proceeds from the A Share Offering considered and approved at the general meetings and the class meetings; to amend, increase, decrease or otherwise adjust the investment direction, amount of proceeds to be used and other relevant matters of the projects to be financed by proceeds from the A Share Offering based on the Company's actual operational needs after thorough discussion on the feasibility of investment projects to be financed by the proceeds;
- (5) to make corresponding amendments to the relevant provisions of the Articles of Association and relevant internal rules based on the implementation results of the A Share Offering and Listing proposal and the requirements of regulatory authorities, and deal with the matters related to change and filing of industry and commerce registration;

- (6) to deal with other proper and appropriate matters related to the A Share Offering and Listing.

The above authorization shall be valid for 12 months from the date of consideration and approval at the EGM and the Class Meetings. If the Proposed A Share Offering and Listing could not be completed within 12 months from the date of approving the resolution at the EGM and the Class Meetings and the Company intends to continually proceed with the Proposed A Share Offering and Listing, the Company shall seek further approval from the Shareholders at the general meeting, the H Shareholders class meeting and the Domestic Shareholders class meeting, respectively, for any extension of such valid period.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

2. Resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis

Based on the requirements of operation and development of the Company, the proceeds from the Proposed A Share Offering, after deducting the issuance expenses, will be used to invest in the following projects:

No.	Project name	Total investment (RMB'0,000)	Proposed amount of proceeds to be used (RMB'0,000)
1	Broad Homes CPS Henan Research, Development and Production Headquarter Base Project	35,850.00	33,283.00
2	The First Phase of Assembly PC Factory Construction Project of Broad Homes Weifang Direct Company	34,350.00	30,150.00
3	Broad Homes Smart Site Research and Development Project	14,061.41	12,610.00
4	Broad Homes Mansion Exhibition Center Project	11,750.00	11,750.00
5	B-BOX Modularized Building Production Line Technology Renovation Project	41,880.00	41,880.00
6	Supplement of Working Capital	50,000.00	50,000.00
	Total	<u>187,891.41</u>	<u>179,673.00</u>

Before the above proceeds are fully raised, the Company may make initial investment with its own funds or bank loans based on the actual progress of the projects, and replace the initial investment and pay for the remaining funds required for project construction after the proceeds are fully raised. In the event that the actual net proceeds (after deducting the issuance expenses) are not sufficient to meet the funding requirements of the above investment projects, the shortfall will be financed by bank loans or the Company's own funds. If the Proposed A Share Offering could not be proceeded, the Company will finance the above investment projects through the Company's own funds or loans from banks or other financial institutions.

The Company confirmed that, currently all of the above investment projects to be financed by the proceeds from the Proposed A Share Offering are still in pre-investment preparation stage. The Company reasonably estimates that the investment preparation of the above projects will be completed within the next three years and the Company will further carry out subsequent construction and/or research and development accordingly. The Company also confirmed that, the Company has no intent to use the proceeds raised from the Global Offering to finance the above investment projects.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

3. Resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing

Prior to completion of the A Share Offering, the Company will make profit distribution according to relevant resolutions of the general meetings. To attend to the interests of both new Shareholders and existing Shareholders of the Company, upon completion of the A Share Offering, the undistributed profits of the Company accumulated prior to the A Share Offering will be shared by the new Shareholders and existing Shareholders upon completion of the A Share Offering in proportion to their respective shareholdings.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

4. Resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing

In order to establish a continuous, stable and reasonable investor return mechanism, maintain the continuity and stability of profit distribution policy, safeguard the legitimate rights and interests of the Company's investors, enhance the transparency and feasibility of decision-making on dividend distribution, and optimize and improve the decision-making and supervision mechanism for dividend distribution, the Company has formulated the Dividend Distribution Plan for Shareholders for Three Years after Initial Public Offering and Listing of A Shares of the Company.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

5. Resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing

According to the Opinions on Further Promoting the IPO System Reform (《關於進一步推進新股發行體制改革的意見》) and other relevant requirements of the CSRC, the Company has formulated the Price Stabilization Plan of A Shares of the Company for Three Years after Initial Public Offering and Listing of A Shares of the Company.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

6. Resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures

Upon completion of the A Share Offering, the share capital and net assets of the Company are expected to increase, and the Company may face the risk of decrease in diluted immediate and future earnings per share and return on net assets. According to the Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), the Company has formulated relevant measures to recover the diluted immediate return.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

7. Resolution on report of use of proceeds from previous fund raising activity of the Company

After verifying the use of proceeds from the previous fund raising activity, the Company has formulated the Report of Use of Proceeds from the Previous H Share Offering of Changsha Broad Homes Industrial Group Co., Ltd. KPMG Huazhen LLP has conducted audit and inspection on the Company's use of proceeds from the previous fund raising activity, and issued the Report of Use of Proceeds from the Previous Fund Raising Activity as of March 31, 2020 of Changsha Broad Homes Industrial Group Co., Ltd.

This resolution shall be subject to approval by way of a special resolution at the EGM.

8. Resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing

According to the Opinions on Further Promoting the IPO System Reform (《關於進一步推進新股發行體制改革的意見》) and other relevant requirements of the CSRC, the Company proposed to make a series of undertakings and restraint measures such as undertakings on share price stabilization and practical implementation of measures to recover the diluted immediate return and the restraint measures on non-performance of relevant undertakings in the public offering and listing documents related to the A Share Offering.

This resolution shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively.

9. Resolutions on formulation of the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (Draft) and relevant rules of procedure (Draft) applicable after the Proposed A Share Offering and Listing

In order to prepare for the relevant work of the A Share Offering of the Company and comply with the requirements applicable to A-share listed companies regarding compliance governance and other aspects, according to the requirements of the Company Law, the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) and other relevant laws, regulations and normative documents, the Company proposed to make amendments to the existing Articles of Association, Rules of Procedure of General Meetings, Rules of Procedure of Board of Directors and Rules of Procedure of Supervisory Committee, and thus forming the applicable Articles of Association (Draft), Rules of Procedure of General Meetings (Draft), Rules of Procedure of Board of Directors (Draft) and Rules of Procedure of Supervisory Committee (Draft) after completion of the Proposed A Share Offering and Listing. The amended Articles of Association, Rules of Procedure of General Meetings, Rules of Procedure of Board of Directors and Rules of Procedure of Supervisory Committee will become effective from the date of completion of the Proposed A Share Offering and Listing. Prior to that, the existing Articles of Association, Rules of Procedure of General Meetings, Rules of Procedure of Board of Directors and Rules of Procedure of Supervisory Committee shall remain in force.

After consideration, the Board approved to propose to the general meeting and the class meetings to authorize the Board and its authorized person to make adjustment and amendment to the Articles of Association (Draft), the Rules of Procedure of General Meetings (Draft), the Rules of Procedure of Board of Directors (Draft) and the Rules of Procedure of Supervisory Committee (Draft) considered and approved at the general meetings and the class meetings based on the requirements of domestic and foreign laws and regulations as amended from time to time, the requirements and suggestion from domestic and foreign governmental departments and regulatory authorities and the actual situation of A Share Offering.

The resolution in relation to the proposed amendments to the Articles of Association shall be subject to approval by way of a special resolution at the EGM and the Class Meetings, respectively, while the resolution in relation to proposed amendments to the Rules of Procedure of General Meetings shall be subject to approval by way of an ordinary resolution at the EGM and shall be subject to approval by way of a special resolution at the Class Meetings. The resolutions in relation to the proposed amendments to the Rules of Procedure of Board of Directors and the proposed amendments to the Rules of Procedure of Supervisory Committee shall be submitted to the EGM for approval by way of ordinary resolutions at the EGM.

10. Resolution on adjustment to the composition of nomination committee under the Board

The Board has considered and approved the resolution on adjustment to the composition of nomination committee under the Board, pursuant to which Mr. Li Zhengnong has been appointed as the chairman of the nomination committee, and Mr. Zhang Jian and Mr. Chen Gongrong have been appointed as the members of the nomination committee. The above adjustment to the composition of the nomination committee shall become effective from the date of this announcement and is not subject to consideration and approval at the general meeting.

11. Resolution on amendments to and addition of internal management policies of the Company

According to the relevant requirements of the CSRC and the Shenzhen Stock Exchange, the Company is required to make amendments to relevant existing internal policies and adopt relevant new policies. 11 policies subject to proposed amendments include: the Terms of Reference of the Audit Committee, the Terms of Reference of the Nomination Committee, the Terms of Reference of the Remuneration and Appraisal Committee, the Regulation on Management of External Guarantee, the Information Disclosure Management Measures, the Regulation on Management of Related Party Transactions, the Working Rules of Secretary to the Board of Directors, the Working Rules of Independent Directors, the Regulation on Management of External Investment, the Regulation on Management of Investors Relations and the Regulation on Management of Subsidiaries. The 9 new policies proposed to be adopted include: the Regulation on Management of Proceeds from Fund Raising Activity, the Regulation on Internal Reporting of Material Information, the Regulation on Management of Shares of the Company Held by Directors, Supervisors and Senior Management and Changes Thereof, the Regulation on Governing the Transfer of Funds with Related Parties, the Regulation on Accountability of Material Errors of Information Disclosure in the Annual Report, the Regulation on Insider Registration and Filing, the Procedures for Review of Annual Financial Report by the Audit Committee, the Working Rules of Independent Directors for Annual Report and the Regulation on Preventing Fund Embezzlement by Substantial Shareholders and Other Related Parties.

The amended and newly adopted policies above have been considered and approved by the Board. In particular, the Terms of Reference of the Audit Committee, the Terms of Reference of the Nomination Committee, the Terms of Reference of the Remuneration and Appraisal Committee, the Working Rules of Secretary to the Board of Directors and the Regulation on Management of Subsidiaries will become effective from the date of being considered and approved by the Board. The Information Disclosure Management Measures, the Regulation on Management of Investors Relations, the Regulation on Internal Reporting of Material Information, the Regulation on Management of Shares of the Company Held by Directors, Supervisors and Senior Management and Changes Thereof, the Regulation on Accountability of Material Errors of Information Disclosure in the Annual Report, the Regulation on Insider Registration and Filing, the Procedures for Review of Annual Financial Report by the Audit Committee, the Working Rules of Independent Directors for Annual Report and the Regulation on Preventing Fund Embezzlement by Substantial Shareholders and Other Related Parties will become effective from the date of completion of A Share Offering and Listing. The Regulation on Management of Related Party Transactions, the Regulation on Management of External Guarantee, the Regulation on Management of External Investment, the Working Rules of Independent Directors, the Regulation on Management of Proceeds from Fund Raising Activity and the Regulation on Governing the Transfer of Funds with Related Parties will be proposed to the general meetings for consideration and become effective from the date of being considered and approved at the general meetings and completion of A Share Offering and Listing.

After consideration, the Board approved to propose to the general meetings to authorize the Board and its authorized person to make adjustment and amendment to the above internal management rules and regulations that are subject to consideration and approval at the general meetings based on the requirements of domestic and foreign laws and regulations as amended from time to time, the requirements and suggestion from domestic and foreign governmental departments and regulatory authorities and the actual situation of A Share Offering.

The internal management rules in the resolution that are subject to consideration at the general meetings shall be subject to approval by way of an ordinary resolution at the EGM.

12. Resolution on engagement of audit firms for the Proposed A Share Offering and Listing

According to the requirements of the Securities Law and other relevant laws and regulations, the Company proposed to engage KPMG Huazhen LLP to serve as the financial audit firm and internal control audit firm of the A Share Offering and issue the audit report and relevant documents required for application of A Share Offering and Listing.

The resolution shall be subject to approval by way of an ordinary resolution at the EGM.

13. Resolution on confirming the related party transactions of the Company during the reporting period

The Board has reviewed the related party transactions entered into between the Company and its related parties in relation to purchase and sale of goods, provision and receipt of labour services, receipt of leases and other related party transactions during the reporting period (i.e. the years ended December 31, 2017, 2018 and 2019 and the period from January 1, 2020 to March 31, 2020), and confirmed that the related party transactions entered into between the Company and its related parties during the reporting period were conducted based on the principle of being equal, voluntary, fair and reasonable in all material respects, the prices of related party transactions were fair and reasonable, and the decision-making power and procedures of the related party translations were in compliance with relevant laws without prejudice to the interests of the Company and the Shareholders and transfer of interest to the Company or its related parties. Please refer to note 33 to the consolidated financial statement in the 2019 annual report of the Company for details. The related Directors (being Mr. Zhang Jian, Ms. Tang Fen, Mr. Zhang Kexiang and Ms. Hu Keman) have abstained from voting on this resolution at the Board meeting.

The Company confirmed that, the above related party transactions conducted during the period from the listing date of the H Shares of the Company (i.e. November 6, 2019) to March 31, 2020 did not constitute non-exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

The resolution shall be subject to approval by way of an ordinary resolution at the EGM.

III. REASONS FOR AND BENEFITS OF THE PROPOSED A SHARE OFFERING

The Company has consulted professional parties and relevant regulatory authorities in respect of the eligibility, benefits and risks of the Proposed A Share Offering and Listing on the ChiNext of the Shenzhen Stock Exchange, and conducted research and analysis on their feasibilities.

The Directors consider that the Proposed A Share Offering will be beneficial to the Company's business development, promote the financing flexibility of the Company, enhance the corporate image of the Company, broaden the Company's funding channels, increase the Company's working capital and recognitions of capital market and further strengthen the Company's investment attractiveness to the investors and market competitiveness. The Directors also believe that the Proposed A Share Offering is in the interests of the Company and the Shareholders as a whole, and is beneficial to enhance the Company's sustainable development capabilities.

IV. EFFECTS OF THE PROPOSED A SHARE OFFERING ON SHAREHOLDING STRUCTURE OF THE COMPANY

The 365,604,000 existing Domestic Shares in issue of the Company will be converted into A Shares on the date of completion of the Proposed A Share Offering. For reference and illustration purposes only, assuming that all 86,054,000 A Shares under the Proposed A Share Offering are approved and issued, and all of which are issued to non-connected persons of the Company and there are no changes in the share capital of the Company prior to the completion of the Proposed A Share Offering, the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Proposed A Share Offering is set out as follows:

	As at the date of this announcement		Immediately after the completion of the Proposed A Share Offering (assuming the over-allotment option has not been exercised)		Immediately after the completion of the Proposed A Share Offering (assuming the over-allotment option has been fully exercised)	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
Domestic Shares (Note 1) (Note 2)	365,604,000	74.97%	–	–	–	–
– Domestic Shares held by the connected persons (Note 2)	303,120,000	62.16%	–	–	–	–
– Domestic Shares held by the independent third parties	62,484,000	12.81%	–	–	–	–
A Shares	–	–	451,658,000	78.73%	466,844,000	79.28%
– A Shares to be converted from Domestic Shares in issue held by the connected persons (Note 2)	–	–	303,120,000	52.84%	303,120,000	51.47%
– A Shares to be converted from Domestic Shares in issue held by the independent third parties	–	–	62,484,000	10.89%	62,484,000	10.61%
– A Shares to be newly issued under the A Share Offering, which will be held by the public	–	–	86,054,000	15.00%	101,240,000	17.19%

	As at the date of this announcement		Immediately after the completion of the Proposed A Share Offering (assuming the over-allotment option has not been exercised)		Immediately after the completion of the Proposed A Share Offering (assuming the over-allotment option has been fully exercised)	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
H Shares	122,035,400	25.03%	122,035,400	21.27%	122,035,400	20.72%
– Ms. Liu Hui (柳慧女士)	122,700	0.03%	122,700	0.02%	122,700	0.02%
– H Shares held by the public (Note 3)	<u>121,912,700</u>	<u>25.00%</u>	<u>121,912,700</u>	<u>21.25%</u>	<u>121,912,700</u>	<u>20.70%</u>
Total	<u>487,639,400</u>	<u>100%</u>	<u>573,693,400</u>	<u>100%</u>	<u>588,879,400</u>	<u>100%</u>

Notes:

- (1) All of the issued Domestic Shares will be converted into A Shares upon completion of the Proposed A Share Offering.
- (2) As at the date of this announcement, Mr. Zhang Jian (張劍先生), Hunan Broad Lingmu House Equipment Co., Ltd. (湖南遠大鈴木住房設備有限公司), Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership) (深圳遠致富海股權投資企業(有限合夥)), Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) (長沙高新開發區大鑫投資管理合夥企業(有限合夥)), Hunan Dazheng Investment Co., Ltd. (湖南大正投資股份有限公司), Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership) (杭州富陽上九靜遠股權投資合夥企業(有限合夥)), Mr. Zhou Bin (周斌先生), Changsha Yinghe Shengdao Private Equity Fund Partnership Enterprise (Limited Partnership) (長沙盈合盛道私募股權基金合夥企業(有限合夥)) are the current Domestic Shareholders directly holding 171,507,840 Domestic Shares, 66,176,160 Domestic Shares, 25,404,000 Domestic Shares, 18,600,000 Domestic Shares, 12,000,000 Domestic Shares, 5,136,000 Domestic Shares, 3,876,000 Domestic Shares and 420,000 Domestic Shares, respectively. They are connected persons of the Company under the Hong Kong Listing Rules. Therefore, upon completion of the Proposed A Share Offering, the A Shares to be converted from Domestic Shares held by the above parties will not be counted into the public float of the Company.
- (3) Based on the publicly available information and to the best knowledge of Directors, as at the date of this announcement, except for the H Shares held by Ms. Liu Hui (柳慧女士), the spouse of Mr. Zhang Jian (張劍先生), all other H Shares are held by the public.

As at the date of this announcement, based on the publicly available information and to the Directors' knowledge, approximately 25% of the issued Shares of the Company (all being H Shares) were held by the public which satisfies the public float requirements under the Hong Kong Listing Rules.

Assuming that all 86,054,000 A Shares under the Proposed A Share Offering are approved and issued, and all of which are issued to non-connected persons of the Company and there are no changes in the share capital of the Company prior to the completion of the Proposed A Share Offering, the public float percentage of the A Shares and H Shares of the Company immediately after the completion of the Proposed A Share Offering will be approximately 47.14% (assuming the over-allotment option has not been exercised) and 48.50% (assuming the over-allotment option has been fully exercised), which will continue to satisfy the requirements under Rule 8.08 of the Hong Kong Listing Rules. The Company undertakes that it will continue to comply with the public float requirements under the Hong Kong Listing Rules during the application process and after completion of the Proposed A Share Offering.

V. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On November 6, 2019, the Company issued 121,868,000 H Shares at HK\$9.68 per H Share in connection with the Global Offering. On November 28, 2019, the over-allotment option granted in connection with the Global Offering was partially exercised and the Company issued an aggregate of 167,400 H Shares at HK\$9.68 per H Share. The net proceeds from the Global Offering (including the partial exercise of the over-allotment option) aggregated to approximately HK\$1,111.70 million (net of underwriting commission and related listing expenses).

As at the date of this announcement, balance of the unutilized net proceeds was approximately HK\$873.69 million. The net proceeds from the listing have been used and will continue to be utilized in the same manner as set out in the H Share Prospectus. The table below sets out the planned use of net proceeds and the actual use as at the date of this announcement:

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK\$ million)	Amount Utilized	Amount Unutilized	Expected Time for Utilization of Unutilized Amount
			(as at the date of this announcement) (HK\$ million)	(as at the date of this announcement) (HK\$ million)	
(i) Expanding PC unit manufacturing business	45	500.29	106.84	393.45	Before December 31, 2022
(1) Establishing wholly-owned regional production centers in key strategic regions	36	400.23	17.52	382.71	Before December 31, 2020
(2) Expanding factories and upgrading equipment in existing regional production centers	9	100.06	89.32	10.74	Before December 31, 2022
(ii) Expansion in overseas market	20	222.30	0	222.30	Before December 31, 2021
(iii) Developing and expanding intelligent equipment business	15	166.71	14.25	152.46	Before December 31, 2022
(iv) Developing and establishing an intelligent service platform in the prefabricated construction industry	10	111.20	14.28	96.92	Before December 31, 2021
(v) Working capital and general corporate purposes	10	111.20	102.64	8.56	Before December 31, 2020
Total	100	1,111.70	238.01	873.69	

Other than fund raising activities as set out above, the Company has not conducted any other fund raising activities involving the issue of equity securities within 12 months immediately prior to the date of this announcement.

VI. GENERAL

The Company will convene the EGM and the Class Meetings for the Shareholders to consider and, if thought fit, approve, among other things, the resolutions regarding the Proposed A Share Offering and related matters. A circular for the EGM and the Class Meetings containing, among other things, the details of the above resolutions, together with the notice of the EGM and the notices of the Class Meetings, will be despatched to the Shareholders in due course.

Shareholders and potential investors should be aware that there is no assurance that the Proposed A Share Offering will proceed, and that the Proposed A Share Offering is subject to the approval of, among others, the Shareholders, the CSRC and other relevant regulatory authorities. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company. The Company will make further announcement(s) in respect of the Proposed A Share Offering pursuant to all applicable requirements under the Hong Kong Listing Rules as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	the ordinary share(s) with a par value of RMB1.00 each in the share capital of the Company to be allotted, issued and listed on the ChiNext of the Shenzhen Stock Exchange and traded in Renminbi
“A Share Offering” or “Proposed A Share Offering” or “Proposed A Share Offering and Listing”	the proposed initial public offering by the Company of no more than 86,054,000 A Shares (before the exercise of the over-allotment option) which are proposed to be listed on the ChiNext of the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“ChiNext”	the ChiNext (創業板) of the Shenzhen Stock Exchange
“Class Meetings”	the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting, collectively

“Company”	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, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 2163)
“Company Law”	the Company Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“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 par value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Domestic Shareholder(s)”	the holder(s) of the Domestic Share(s) of the Company
“Domestic Shareholders Class Meeting”	the domestic shareholders class meeting of the Company to be held at Meeting Room of Broad Homes Headquarters, No. 248 Yinshuang Road, Yuelu District, Changsha at 11:30 a.m. (or immediately after conclusion of the H Shareholders Class Meeting or any adjournment thereof) on Wednesday, July 8, 2020, the notice of which will be despatched to the Shareholders as and when appropriate
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Meeting Room of Broad Homes Headquarters, No. 248 Yinshuang Road, Yuelu District, Changsha at 10:00 a.m. on Wednesday, July 8, 2020 and any adjournment thereof (if any), the notice of which will be despatched to the Shareholders as and when appropriate
“Global Offering”	the Hong Kong public offering and the international offering of the Company’s H Shares, details of which are set out in the H Share Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign investment share(s) 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
“H Share Prospectus”	the prospectus of the Company dated October 24, 2019 in connection with the initial public offering of the H Shares

“H Shareholder(s)”	the holder(s) of the H Share(s) of the Company
“H Shareholders Class Meeting”	the H shareholders class meeting of the Company to be held at Meeting Room of Broad Homes Headquarters, No. 248 Yinshuang Road, Yuelu District, Changsha at 11:00 a.m. (or immediately after conclusion of the EGM or any adjournment thereof) on Wednesday, July 8, 2020, the notice of which will be despatched to the Shareholders as and when appropriate
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rules of Procedure of Board of Directors”	the rules of procedure of Board of Directors of the Company, as amended from time to time
“Rules of Procedure of General Meetings”	the rules of procedure of general meetings of the Company, as amended from time to time
“Rules of Procedure of Supervisory Committee”	the rules of procedure of Supervisory Committee of the Company, as amended from time to time
“Securities Law”	the Securities Law of the People’s Republic of China, as amended, supplemented or otherwise modified from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a par value of RMB1.00 each, currently comprising the Domestic Shares and H Shares
“Shareholder(s)”	the holder(s) of the share(s) of the Company

“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE” or “Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“%”	per cent

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

Changsha, June 18, 2020

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