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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)**

## **DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN THE TARGET COMPANY**

### **THE DISPOSAL**

The Board announces that, on September 29, 2020, the Sellers (the Company and Ningxiang Broad Homes, a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchasers, pursuant to which, the Sellers have agreed to sell and the Purchasers have agreed to acquire 100% equity interest in the Target Company at a total Consideration of RMB292,000,000. Upon completion of the Disposal, the Company will cease to hold any equity interest in the Target Company, the Target Company will cease to be a subsidiary of the Company, and its financial statements will cease to be consolidated into the financial statements of the Company.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and shall be subject to reporting and announcement requirements but is exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **I. INTRODUCTION**

The Board announces that, on September 29, 2020, the Sellers (the Company and Ningxiang Broad Homes, a wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchasers, pursuant to which, the Sellers have agreed to sell and the Purchasers have agreed to acquire 100% equity interest in the Target Company at a total Consideration of RMB292,000,000. Upon completion of the Disposal, the Company will cease to hold any equity interest in the Target Company, the Target Company will cease to be a subsidiary of the Company, and its financial statements will cease to be consolidated into the financial statements of the Company.

## **II. EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out below:

### **Date**

September 29, 2020

### **Parties**

- (i) The Company (as Seller 1);
- (ii) Ningxiang Broad Homes (as Seller 2);
- (iii) Shengxin Property (as Purchaser 1);
- (iv) Shenzhen Minghai (as Purchaser 2);
- (v) Broad Construction Industrial (as the Target Company); and
- (vi) Mr. Zhang Jian (as the guarantor of the Sellers and the Target Company).

As at the date of this announcement, to the best knowledge and belief of the Directors and having made all reasonable enquiries, the Purchasers and their respective ultimate beneficial owners are independent third parties.

### **Subject**

100% equity interest in the Target Company. For more detailed information of the Target Company, please refer to the section headed “Information on the Target Company”.

Shengxin Property will purchase 98% equity interests in the Target Company from the Company, and Shenzhen Minghai will purchase 2% equity interests in the Target Company from Ningxiang Broad Homes.

### **Consideration**

The total Consideration of the Disposal is RMB292,000,000. The Consideration is determined through arm’s length negotiation between the parties after taking into account (1) the audited net assets of the Target Company of RMB275,265,300 as at August 31, 2020; and (2) the valuated net assets of the Target Company of RMB286,358,200 as at August 31, 2020 set out in the valuation report prepared by Carea Assets Appraisal Co., Ltd., an independent valuer, based on the asset-based approach.

Based on the above, the Consideration payable by Shengxin Property for purchase of 98% equity interests in the Target Company from the Company shall be RMB286,160,000. The Consideration payable by Shenzhen Minghai for purchase of 2% equity interests in the Target Company from Ningxiang Broad Homes shall be RMB5,840,000.

### **Payment**

The Purchasers shall pay the Sellers in cash in three instalments in respect of the Disposal in the following manners:

- (1) RMB150,000,000 shall be paid before September 30, 2020, in which RMB147,000,000 shall be paid by Shengxin Property to the Company, and RMB3,000,000 shall be paid by Shenzhen Minghai to Ningxiang Broad Homes, provided that the conditions for payment of the first instalment have been satisfied (including but not limited to the signing and effectiveness of the agreement and completion of due diligence to the satisfaction of the Purchasers);
- (2) RMB90,000,000 shall be paid before December 31, 2020, in which RMB88,200,000 shall be paid by Shengxin Property to the Company, and RMB1,800,000 shall be paid by Shenzhen Minghai to Ningxiang Broad Homes, provided that the conditions for payment of the second instalment have been satisfied (including but not limited to the settlement of external guarantee related to the Target Company);
- (3) RMB52,000,000 shall be paid before June 30, 2021, in which RMB50,960,000 shall be paid by Shengxin Property to the Company, and RMB1,040,000 shall be paid by Shenzhen Minghai to Ningxiang Broad Homes, provided that the conditions for payment of the first and second instalments remain satisfied.

### **Guarantee**

Pursuant to the Equity Transfer Agreement, Mr. Zhang Jian has voluntarily provided an irrevocable guarantee with joint liabilities for the performance of the Sellers and the Target Company of their respective obligations under the Equity Transfer Agreement with a term of three years commencing from the expiry of the period of performance of obligations by the Sellers and the Target Company. Such guarantee is not secured by the assets of the Group.

### **Effectiveness**

The Equity Transfer Agreement shall become effective on the date of signing.

### III. INFORMATION ON THE TARGET COMPANY

The Target Company is a joint stock company established in the PRC with limited liabilities on October 13, 1999, which is owned as to 98% by the Company and 2% by Ningxiang Broad Homes as at the date of this announcement. The scope of principal business of the Target Company includes housing construction works, professional contracting of foundation projects, professional contracting of earthwork; research, development and application of housing industrialization technology and construction methods; training and consultation services of prefabricated construction works; production and processing of construction components and development of new materials; sales of building decoration materials, construction machines and electrical and machinery equipment.

The audited financial information of the Target Company for the two financial years ended December 31, 2018 and December 31, 2019 and the eight months ended August 31, 2020 prepared according to the PRC Accounting Standards for Business Enterprises are set out below:

	<b>Year ended December 31, 2018 RMB</b>	<b>Year ended December 31, 2019 RMB</b>	<b>Eight months ended August 31, 2020 RMB</b>
Net profit/ (loss) before tax	16,694,226.47	19,407,965.58	(23,924,122.51)
Net profit/ (loss) after tax	12,687,742.34	18,159,447.88	(23,665,248.98)

According to the PRC Accounting Standards for Business Enterprises, the audited net assets and total assets of the Target Company were approximately RMB275,265,300 and RMB623,462,584, respectively, as at August 31, 2020. As set out in the valuation report prepared by Carea Assets Appraisal Co., Ltd., an independent valuer, based on the asset-based approach, the valuated net assets of the Target Company amounted to approximately RMB286,358,200 as at August 31, 2020.

### IV. FINANCIAL IMPLICATIONS OF THE DISPOSAL

Upon completion of the Disposal, the Company will cease to hold any equity interest in the Target Company, the Target Company will cease to be a subsidiary of the Company, and its financial statements will cease to be consolidated into the financial statements of the Company.

The Board confirms that the Disposal will not cause material impact on the Company's results for the current period and will not affect the Company's ability to operate on a going concern basis. Upon completion of the Disposal, the Company is expected to record an increase in total profits of approximately RMB16 million, which is calculated and determined based on the proceeds from the Disposal and the cost of equity interest to be sold and is an unaudited amount. The final amount shall be subject to relevant data on the date of actual completion of the Disposal. Upon completion of the Disposal, the Company will use the proceeds from the Disposal to replenish its general working capital.

## **V. REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group's principal businesses include PC unit manufacturing, PC equipment manufacturing and construction work. Starting from 2016, the Group decided to focus on PC unit and PC equipment manufacturing businesses and further develop the PC unit design and production management system. As a result, the Group did not enter into new contracts with external parties regarding construction work business and relevant projects came to the final stage successively. In view of the fact that the Group's construction work business is mainly conducted by the Target Company, the Disposal will be beneficial to the Group in better implementing the strategic plans of its business. The Board considers that the Disposal is an operational decision of the Company to monetize the assets of non-principal business when appropriate and optimize the Company's asset structure, in order to concentrate the resources to expand and strengthen its principal business and consolidate and rationalize the business structure of the Company.

The Directors are of the view that the Disposal is conducted through arm's length negotiation between the parties on normal commercial terms or better, and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company and its PRC counsel confirm that no Director is required to abstain from or avoid voting on the Board's resolution for consideration of the Disposal.

## **VI. GENERAL INFORMATION**

### **Information of the Company**

The Company is a joint stock company incorporated in the PRC with limited liabilities and is mainly engaged in manufacturing of prefabricated buildings and relevant services, and its principal businesses include PC unit manufacturing, PC equipment manufacturing and construction work.

### **Information of Ningxiang Broad Homes**

Ningxiang Broad Homes is a company incorporated in the PRC with limited liabilities and is mainly engaged in research, development and production of housing industrialization technology and relevant products; production and sales of doors, windows, cupboards, furnitures, air-conditioners, home appliances and electrical products; production and sales of prefabricated concrete components; development of new materials; investment in sanitary wares and warehousing and transportation industries; sales of electrical and machinery equipment; manufacturing of construction equipment and equipment for production of construction materials.

As at the date of this announcement, Ningxiang Broad Homes is a wholly-owned subsidiary of the Company.

### **Information of Shengxin Property**

Shengxin Property is a company incorporated in the PRC with limited liabilities and is mainly engaged in development of general residential properties; sales and lease of self-developed residential properties; property management; decoration and retrofitting; consultation on real estate information.

As at the date of this announcement, Shengxin Property is wholly-owned by Shenzhen Jincheng Industrial Development Co., Ltd., which is owned as to 60% and 40% by Huang Huilin and Huang Wei, respectively.

### **Information of Shenzhen Minghai**

Shenzhen Minghai is a company incorporated in the PRC with limited liabilities and is mainly engaged in construction works, municipal public utility works, mechanical and electrical engineering, foundation works, design and construction of building decoration and retrofitting projects, design and construction of curtain wall, urban road lighting projects, landscaping and greenery projects, digitalization and intelligentization projects, environmental protection projects, ancient building projects, waterproof, anticorrosion and insulation works, water conservation and hydropower projects, road construction, fire facility projects, power transmission and distribution projects, steel structure construction, installation of mechanical and electrical equipment for buildings, road subgrade works, road surface works, road traffic works, river and lake restoration projects, safety and security projects, earthwork projects, sports ground construction, dismantling works; construction labour subcontracting; digitalization and intelligentization projects; port and coastal engineering, water conservation and hydropower projects, embankment projects, construction of afforestation projects and design and construction of landscaping and greenery projects; electrical fitting; landscaping project, etc.

As at the date of this announcement, Shenzhen Minghai is wholly-owned by Shenzhen Jinlai Industrial Co., Ltd., which is owned as to 99% and 1% by Weng Jiehao and Pu Lingli, respectively.

## VII. LISTING RULES IMPLICATIONS

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## VIII. DEFINITIONS

In this announcement, unless otherwise required by the context, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company
“Broad Construction Industrial”	Hunan Broad Construction Industrial Co., Ltd. (湖南遠大建工股份有限公司), a joint stock company established in the PRC with limited liabilities which is owned as to 98% by the Company and 2% by Ningxiang Broad Homes as at the date of this announcement
“Company”	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 established in the PRC with limited liabilities, which is mainly engaged in manufacturing of prefabricated buildings and relevant services
“Consideration”	RMB292,000,000, being the total consideration payable by the Purchasers to the Sellers pursuant to the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the transfer of 100% equity interest in the Target Company by the Sellers to the Purchasers pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into among the Sellers, the Purchasers, the Target Company and Mr. Zhang Jian (as the guarantor) on September 29, 2020 in relation to the transfer of 100% equity interest in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ningxiang Broad Homes”	Ningxiang Broad Homes Industrial Co., Ltd. (寧鄉遠大住宅工業有限公司), a company established in the PRC with limited liabilities and a wholly-owned subsidiary of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchasers”	Shengxin Property and Shenzhen Minghai
“RMB”	Renminbi, the lawful currency of the PRC
“Sellers”	the Company and Ningxiang Broad Homes
“Shengxin Property”	Shengxin Property (Anshan) Co., Ltd. (盛欣地產(鞍山)有限公司), a company established in the PRC with limited liabilities
“Shenzhen Minghai”	Shenzhen Minghai Construction Engineering Co., Ltd. (深圳明海建築工程有限公司), a company established in the PRC with limited liabilities
“Target Company”	Broad Construction Industrial
“%”	per cent

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

Changsha, September 29, 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.*