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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)**

## **CHANGE IN USE OF PROCEEDS FROM H SHARE OFFERING**

The board of directors (the “**Board**”) of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**” and, together with its subsidiaries, the “**Group**”) hereby announces that at the Board meeting convened on April 20, 2021, the Board considered and approved the proposal on change in use of Proceeds from H Share Offering.

### **BASIC INFORMATION OF THE PROCEEDS FROM H SHARE OFFERING**

References are made to the section headed “Future Plans and Use of Proceeds” in the H share prospectus of the Company dated October 24, 2019 (the “**Prospectus**”) in relation to the intended use of net proceeds from the global offering of the Company (the “**Proceeds from H Share Offering**” or “**Proceeds**”), as well as the results announcement of the Company for the year ended December 31, 2020 dated February 26, 2021 in relation to, among others, the update on the Proceeds from H Share Offering as of December 31, 2020. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The H Shares of the Company were listed on the Hong Kong Stock Exchange on November 6, 2019, and net proceeds from the Global Offering aggregated to approximately HK\$1,111,697,332.79 after deducted the expenses related to the issuance of Shares, of which HK\$742,330,740.96 (equivalent to RMB671,462,308.77) was remitted.

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Proceeds from H Share Offering will be used primarily for the following specific purposes:

- (i) approximately 45% of the net Proceeds for expanding our PC unit manufacturing business, of which approximately 36% for establishing wholly-owned regional production centers in key strategic regions, and the remaining approximately 9% for expanding our factories and upgrading our equipment in existing regional production centers.

- (ii) approximately 20% of the net Proceeds for expansion in overseas market and establishing technology and production centers targeting overseas market.
- (iii) approximately 15% of the net Proceeds for developing and expanding our intelligent equipment business, including PC equipment manufacturing, construction equipment manufacturing and other equipment business.
- (iv) approximately 10% of the net Proceeds for developing and establishing an intelligent service platform in the prefabricated construction industry.
- (v) approximately 10% of the net Proceeds for working capital and other general corporate purposes.

As of April 13, 2021, a total of HK\$505,387,436.00 of the Proceeds from H Share Offering have been utilized, and the remaining Proceeds available for use amounted to HK\$606,309,896.79. The utilization of the Proceeds from H Share Offering is as follows:

Use	Specific use	Proportion	Proceeds from H Share Offering (HK\$)	Amount Utilized (HK\$)	Remaining Amount (HK\$)
Expanding PC unit manufacturing business	Establishing wholly-owned regional production centers in key strategic regions	36%	400,236,189.30	212,407,569.07	187,828,620.22
	Expanding factories and upgrading equipment in existing regional production centers	9%	100,059,047.32	89,323,054.77	10,735,992.55
Expansion in overseas market and establishing technology and production centers targeting overseas market	–	20%	222,303,538.71	29,159,918.27	193,143,620.44
Developing and expanding intelligent equipment business	–	15%	166,705,199.13	14,245,661.94	152,459,537.19
Developing and establishing an intelligent service platform in the prefabricated construction industry	–	10%	111,196,679.16	49,066,141.66	62,130,537.50
Working capital and general corporate purposes	–	10%	111,196,679.16	111,185,090.28	11,588.88
<b>Total</b>		<b>100%</b>	<b>1,111,697,332.79</b>	<b>505,387,436.00</b>	<b>606,309,896.79</b>

The Company confirmed that the above utilization of the Proceeds from H Share Offering was consistent with the use of Proceeds disclosed in the Prospectus.

## CHANGE IN USE OF PROCEEDS FROM H SHARE OFFERING

In order to improve the efficiency of use of Proceeds from H Share Offering and reduce the finance cost, the Company intends to adjust the planning and proportion of the use of part of the Proceeds from H Share Offering as follows:

- (i) Change in use of Proceeds from H Share Offering intended for “establishing wholly-owned regional production centers in key strategic regions” for “expanding PC unit manufacturing business”

Due to the adjustment of the project layout during the process of establishing new production centers in view of the market conditions and demand, the Company intends to change the use of Proceeds from H Share Offering for expanding PC unit manufacturing business by establishing wholly-owned regional production centers in key strategic regions from “expanding our production capacity into provincial capital cities, such as Wuhan, Jinan and Zhengzhou” to “expanding our production capacity into cities such as Wuhan, Weifang, Zhengzhou and Changshu”.

- (ii) Change in use of Proceeds from H Share Offering intended for “expanding factories and upgrading equipment in existing regional production centers” for “expanding PC unit manufacturing business”

As of April 13, 2021, the Company has completed the expansion of factories and upgrade of equipment in existing regional production centers. Therefore, the Company intends to use the remaining Proceeds from H Share Offering intended for “expanding factories and upgrading equipment in existing regional production centers”, totalling HK\$10,735,992.55, for “establishing wholly-owned regional production centers in key strategic regions”.

- (iii) Change in use of Proceeds from H Share Offering intended for “expansion in overseas market and establishing technology and production centers targeting overseas market”

Affected by the COVID-19 pandemic since the beginning of 2020, the Company’s original plan to expand its business in overseas markets needs to be further adjusted, and in view of the gradual increase of domestic demand in relevant market, in addition to the original plan to “build a new manufacturing factory in a major port city in China focusing on manufacturing, assembling and exporting the prefabricated villa products overseas”, the Company plans to establish seven new manufacturing factories in port cities and target cities in the China. In addition to overseas market expansion, the Company will put more efforts in manufacturing, assembling and sales of prefabricated villa products in China, and therefore intends to change the use of Proceeds from H Share Offering to “Expansion in overseas and domestic markets, establishing technology and production centers and showrooms targeting overseas and domestic markets and marketing and promotion of relevant products”.

- (iv) Change in use of Proceeds from H Share Offering intended for “developing and expanding intelligent equipment business”

As of April 13, 2021, the equipment and technology related to the PC production line under the original research and development and expansion plan of intelligent equipment business have been able to support the Company’s operation and meet the needs of relevant customers, and in view of the market demand for modularized products, the Company intends to change the use of Proceeds originally intended for “IoT technology” and “whole set of production equipment and construction equipment for autoclaved aerated lightweight concrete” for developing and expanding intelligent equipment business to “research, development, procurement and production of modularized product equipment”.

- (v) Change in use of Proceeds from H Share Offering intended for “developing and establishing an intelligent service platform in the prefabricated construction industry”

As of April 13, 2021, the Company has completed the basic research and development of the intelligent service platform for prefabricated construction industry. Therefore, the Company intends to use the remaining Proceeds from H Share Offering intended for “developing and establishing an intelligent service platform in the prefabricated construction industry”, totalling HK\$62,130,537.50, for the Company’s working capital and general corporate purposes.

Upon completion of the above changes in the use of Proceeds from H Share Offering, the specific use of Proceeds from H Share Offering of the Company is as follows.

Use	Specific use	Proportion	Proceeds from H Share Offering (HK\$)	Estimated time of use of unutilized proceeds
Expanding PC unit manufacturing business	Establishing wholly-owned regional production centers in key strategic regions	37%	410,972,181.85	Before December 31, 2022
	Expanding factories and upgrading equipment in existing regional production centers	8%	89,323,054.77	Before December 31, 2022
Expansion in overseas and domestic markets and establishing technology and production centers targeting overseas and domestic markets	–	20%	222,303,538.71	Before December 31, 2022
Developing and expanding intelligent equipment business	–	15%	166,705,199.13	Before December 31, 2022
Developing and establishing an intelligent service platform in the prefabricated construction industry	–	4%	49,066,141.66	Before December 31, 2022
Working capital and general corporate purposes	–	16%	173,327,216.66	Before December 31, 2022
<b>Total</b>		<b>100%</b>	<b>1,111,697,332.79</b>	

Save for the changes above, there is no other changes in the use of net Proceeds from the Global Offering of the Company.

## **REASONS FOR AND BENEFITS OF CHANGE IN USE OF PROCEEDS FROM H SHARE OFFERING**

The above proposed changes can enhance the efficiency of the Company's use of the proceeds from the H Shares, reduce the finance costs and enable the Company to allocate its financial resources more effectively, which is conducive to the flexible deployment of the Company's business development based on the changes in market conditions. The Board confirms that there is no material change in the nature of the business of the Group as set out in the Prospectus and the above change in the use of Proceeds from H Share Offering is in the interests of the Company and its shareholders as a whole.

Pursuant to the provisions of the Company's articles of association, the above proposal to change the use of Proceeds from H Share Offering is not subject to consideration and approval by the Company's shareholders at a general meeting and shall become effective from the date of being considered and approved by the Board.

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

Changsha, April 20, 2021

*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.*