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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)

INSIDE INFORMATION

This announcement is made by the board of directors (the “**Board**”) of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”), together with its subsidiaries, the “**Group**”) in accordance with Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

Reference is made to the announcements issued by the Company dated (i) 20 March 2025 (the “**1st Announcement**”); (ii) 24 March 2025 (the “**2nd Announcement**”) and (iii) 31 March 2025 (the “**3rd Announcement**”) all in relation to the inside information of the Company.

As stated in the 2nd Announcement, Ms. Shi Donghong issued the 1st Announcement without the formal approval by the Board. Having said that, the Board clarifies the accuracy of the contents of the 1st Announcement including but not limited to (i) the Board received the resignation reports (the “**Resignation Reports**”) from each of Mr. Zhang Quanxun, Mr. Chen Gongrong and Mr. Li Zhengnong on 20 March 2025 and (ii) the Resignation Reports contained allegations against Mr. Zhang Jian (“**Mr. Zhang Jian**”), an executive director, the chairman of the Board, the general manager and the controlling shareholder of the Company, for occupation of the Company’s funds and non-compliant connected transactions and (iii) the Company was in the process of communicating with Mr. Zhang Jian to inquire the allegations in the Resignation Reports and was in the process of conducting internal verification. Further announcement will be made by the Company in due course.

In addition to the personnel changes as stated in the 2nd Announcement, the Company supplements that on 24 March 2025, the Board has also resolved (which Mr. Zhang Jian, Ms. Tang Fen, Mr. Zhang Kexiang and Mr. Tan Xinming consented and Ms. Shi Donghong opposed) to form an independent committee and to engage an independent consultant to investigate the matters stated in the Resignation Reports. The Company will conduct a resignation audit for Ms. Shi Donghong regarding her resignation as chief financial officer.

As stated in the 3rd Announcement, as additional time will be required for the Company to provide the required information to Pan-China to perform their audit work in respect of the financial information of the Group for the year ended 31 December 2024, the Company is not able to publish its 2024 Annual Results on or before 31 March 2025.

According to recent discussion between existing management of the Company (the “**Management**”) and the auditor of the Company, Pan-China, the major outstanding information required by Pan-China to perform their audit work for the financial information of the Group for the year ended 31 December 2024 including the followings:

- i) relevant supporting documents in relation to the business transactions between the Group and three companies controlled by Mr. Zhang Jian, executive Director and the chairman of the Company;
- ii) relevant supporting documents in relation to the financial assistance provided by the associates of the Company to Hunan Broad Lingmu House Equipment Co., Ltd, one of the substantial shareholders of the Company and controlled by Mr. Zhang Jian;
- iii) relevant supporting documents in relation to the formation of joint venture company established by the Group and company associated with Mr. Zhang Jian;
- iv) detailed information in relation to the Company’s existing litigation; and
- v) non-compliance issue in relation to the insufficient member of audit committee of the Company.

According to the understanding of the Management, Pan-China visited the Group and finished their audit field works. In the meantime, Pan-China is requesting the Company to provide additional documents, i.e. the documents stated above, for their further audit work. The Management would provide the requested documents to Pan-China as soon as practicable.

The Company will use its best endeavours to ensure that the 2024 Annual Results will be published as soon as practicable.

Upon seeking professional advice, the Board plans to take the following actions in order to investigate the matters stated in the Resignation Reports:

- 1. to openly recruit 4 independent non-executive Directors and form a new audit committee which composes of all the independent non-executive Directors;
- 2. to form an independent investigation committee which composes of all the independent non-executive Directors;
- 3. to engage an independent consultant to conduct investigation about the matters stated in the Resignation Reports;
- 4. to engage an internal control consultant to review the internal control issues addressed by the independent investigation committee and make recommendations; and
- 5. to liaise with Pan-China and address all issues leading to the publication of all outstanding financial results.

Currently, (1) the Board comprises only five executive directors, which continues to fail to comply with Rule 3.10 of the Listing Rules, which requires that the Board must comprise at least three independent non-executive directors and that at least one independent non-executive director must have appropriate professional qualifications or accounting or related financial management expertise, and continues to fail to comply with Rule 3.10A of the Listing Rules, which requires that the independent non-executive directors must represent at least one-third of the Board; (2) the audit committee of the Company does not have any members, which continues to fail to comply with Rule 3.21 of the Listing Rules, which requires that all members of the audit committee shall be non-executive directors, and it shall comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise, a majority of the members must be independent non-executive directors, and the chairperson must be an independent non-executive director; (3) the Company continues to have no independent non-executive director who is ordinarily resident in Hong Kong, which fails to comply with Rule 19A.18(1) of the Listing Rules, which requires a PRC issuer to have at least one independent non-executive director who is ordinarily resident in Hong Kong; (4) the vacancy of the chairperson of the remuneration and appraisal committee of the Company with only Mr. Zhang Jian as the member will not be able to comply with Rule 3.25 of the Listing Rules, which requires that the remuneration committee shall be chaired by an independent non-executive director and a majority of its members shall be independent non-executive directors; and (5) the vacancy of the chairperson of the nomination committee of the Company with only Mr. Zhang Jian as the member will not be able to comply with Rule 3.27A of the Listing Rules, which requires that the nomination committee shall be chaired by the chairman of the Board or an independent non-executive director and a majority of its members shall be independent non-executive directors.

The Company will use its best endeavours to identify suitable candidates to fulfill the requirements of Rule 3.25 and Rule 3.27A of the Listing Rules. The Company will use its best endeavours to identify suitable candidates as soon as practicable to comply with Rule 3.10, Rule 3.10A and Rule 3.21 of the Listing Rules and to appoint a person who is ordinarily resident in Hong Kong as an independent non-executive Director in order to comply with Rule 19A.18(1) of the Listing Rules. Further announcement will be made by the Company in due course.

CONTINUING SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m., 21 March 2025 and will remain suspended until further notice.

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

Changsha, 7 May, 2025

As at the date of this announcement, the Board comprises Mr. Zhang Jian, Ms. Tang Fen, Ms. Shi Donghong (Duties suspended), Mr. Zhang Kexiang and Mr. Tan Xinming as executive directors.