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# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold or transferred** all your shares in **Changsha Broad Homes Industrial Group Co., Ltd.**, you should at once hand this circular and the enclosed form(s) of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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  
NOTICE OF EXTRAORDINARY GENERAL MEETING  
NOTICE OF H SHAREHOLDERS CLASS MEETING  
AND  
NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING**

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The EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be held at Meeting Room of Broad Homes Headquarters, No. 248 Yinshuang Road, Yuelu District, Changsha at 10:00 a.m., 11:00 a.m. (or immediately after conclusion of the EGM or any adjournment thereof) and 11:30 a.m. (or immediately after conclusion of the H Shareholders Class Meeting or any adjournment thereof), respectively, on Wednesday, July 8, 2020. The notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting are set out on pages 231 to 241 of this circular.

If you intend to attend the EGM, the H Shareholders Class Meeting and/or the Domestic Shareholders Class Meeting by proxy, you are required to complete and return the enclosed form(s) of proxy according to the instructions printed thereon not less than 24 hours before the respective time appointed for the holding of the above-mentioned meetings (i.e., before 10:00 a.m., 11:00 a.m. and/or 11:30 a.m. each on Tuesday, July 7, 2020). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the relevant meetings if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

June 22, 2020

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## DEFINITIONS

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*In this circular, 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” of “Proposed A Share Offering and Listing”	the proposed initial public offering by the Company of no more than 86,054,000 A Shares 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 circular 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 PRC, 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

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## DEFINITIONS

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“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 is set out in this circular
“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 is set out in this circular
“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 is set out in this circular
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“Latest Practicable Date”	June 18, 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular

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## DEFINITIONS

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“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

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhang Jian (*Chairman*)

Ms. Tang Fen

Ms. Shi Donghong

Mr. Zhang Kexiang

Mr. Tan Xinming

*Non-executive Directors:*

Mr. Zhang Quanxun

Ms. Hu Keman

*Independent Non-executive Directors:*

Mr. Chen Gongrong

Mr. Li Zhengnong

Mr. Wong Kai Yan Thomas

Mr. Zhao Zhengting

*Registered Office:*

Intersection of Lusong Road and

Dongfanghong Road

Changsha High-tech Development Zone,

Changsha

Hunan

PRC

*Principal Place of Business in Hong Kong:*

31/F, Tower Two, Times Square

1 Matheson Street

Causeway Bay

Hong Kong

June 22, 2020

*To the Shareholders*

Dear Sir/Madam,

### PROPOSED A SHARE OFFERING AND RELATED MATTERS

#### I. INTRODUCTION

References are made to the announcements of the Company dated May 15, 2020 and June 18, 2020 in relation to the Proposed A Share Offering. On June 18, 2020, the Board considered and approved the resolutions regarding the Proposed A Share Offering and related matters.

The purpose of this circular is to provide you with the notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting (as set out in this circular on pages 231 to 235, pages 236 to 238 and pages 239 to 241, respectively) and reasonable information required for you to make an informed decision as to voting on the resolutions to be proposed at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting.

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## LETTER FROM THE BOARD

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### II. MATTERS TO BE RESOLVED AT THE EGM, THE H SHAREHOLDERS CLASS MEETING AND THE DOMESTIC SHAREHOLDERS CLASS MEETING

The resolutions to be proposed for shareholders' consideration and approval include:

1. the resolution on the Proposed A Share Offering and Listing;
2. 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;
3. the resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis;
4. the resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing;
5. the resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing;
6. the resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing;
7. the resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures;
8. the resolution on report of use of proceeds from previous fund raising activity of the Company;
9. the resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing;
10. 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;
11. 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;
12. 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;

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## LETTER FROM THE BOARD

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13. 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;
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 resolutions 11 to 16 will be proposed at the EGM by way of ordinary resolutions, and the resolutions 1 to 10 will be proposed at the EGM by way of special resolutions. The resolutions 1 to 7 and 9 to 11 will be proposed at the Class Meetings by way of special resolutions.

If the resolution 1 regarding the Proposed A Share Offering and Listing fails to be passed by the Shareholders at the EGM and the Class Meetings, the Proposed A Share Offering will not be proceeded, and the matters relating to the other resolutions above will not be proceeded. In addition, the Proposed A Share Offering shall be subject to the approvals from the CSRC and the Shenzhen Stock Exchange.

### **III. PROPOSED A SHARE OFFERING AND RELATED MATTERS**

#### **1. Resolution on the Proposed A Share Offering and Listing**

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 not more than 86,054,000 A Shares 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 the approvals by the CSRC and other relevant regulatory authorities.



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## LETTER FROM THE BOARD

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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. OTHER INFORMATION IN RELATION TO THE PROPOSED A SHARE OFFERING – 2. 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 Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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**(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, 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.

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## LETTER FROM THE BOARD

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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 June 18, 2020 (being the date of the announcement of the Company in relation to the Proposed A Share Offering and related matters and the Latest Practicable Date) 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.

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## LETTER FROM THE BOARD

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**(9) *Valid period of the resolution***

This 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.

This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval item by item by way of a special resolution.

**2. 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 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:

- (i) 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);
- (ii) 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;
- (iii) 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;

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## LETTER FROM THE BOARD

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- (iv) 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;
- (v) to make corresponding amendments to the relevant provisions of the Articles of Association and relevant internal policies 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;
- (vi) 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

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## LETTER FROM THE BOARD

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### 3. 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.

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## LETTER FROM THE BOARD

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This proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

Please refer to Appendix I to this circular for the feasibility analysis of the investment projects to be financed by the proceeds from the Proposed A Share Offering.

#### **4. 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

#### **5. 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

Please refer to Appendix II to this circular for the full text of the dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing.

#### **6. 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

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## LETTER FROM THE BOARD

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Please refer to Appendix III to this circular for the full text of the price stabilization plan of the A Shares of the Company for three years after the Proposed A Share Offering and Listing.

### **7. 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.

Please refer to Appendix IV to this circular for the full text of the analysis of impact of dilution on immediate return of the Proposed A Share Offering and relevant recovery measures.

### **8. 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 proposal has been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of a special resolution.

Please refer to Appendix V to this circular for the full text of the report of use of proceeds from previous fund raising activity of the Company.

### **9. Resolutions 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 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 proposal has been approved by the Board, and shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution.



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## LETTER FROM THE BOARD

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Please refer to Appendix VI to this circular for the substantial undertakings made by the Company for the Proposed A Share Offering and Listing.

**10. Resolutions on Formulation of 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) of Changsha Broad Homes Industrial Group Co., Ltd. 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 meetings 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.

These proposals have been approved by the Board and/or the Supervisory Committee, respectively, and the resolution in relation to the proposed amendments to the Articles of Association shall be submitted to the EGM and the Class Meetings, respectively, for consideration and approval by way of a special resolution, while the resolution in relation to the proposed amendments to the Rules of Procedure of General Meetings shall be submitted to the EGM for consideration and approval by way of an ordinary resolution and shall be submitted to the Class Meetings for consideration and approval by way of a special resolution. 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 consideration and approval by way of ordinary resolutions.

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## LETTER FROM THE BOARD

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Please refer to Appendix VII, VIII, IX, and X to this circular for the comparison tables of amendments to the Articles of Association, the Rules of Procedure of General Meetings, the Rules of Procedure of Board of Directors and the Rules of Procedure of Supervisory Committee, respectively.

### **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 have 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.

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## LETTER FROM THE BOARD

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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 policies 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 that are subject to consideration at the general meetings in this proposal have been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of an ordinary resolution.

Please refer to Appendix XI to this circular for the details of proposed amendments to and addition of internal management policies of the Company.

### **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.

This proposal has been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of an ordinary resolution.

### **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.

## LETTER FROM THE BOARD

This proposal has been approved by the Board, and shall be submitted to the EGM for consideration and approval by way of an ordinary resolution.

### IV. OTHER INFORMATION IN RELATION TO THE PROPOSED A SHARE OFFERING

#### 1. Reasons for 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.

#### 2. 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 Latest Practicable Date and immediately after the completion of the Proposed A Share Offering is set out as follows:

	As at the Latest Practicable Date		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
<b>Domestic Shares</b> (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%	-	-	-	-
<b>A Shares</b>	-	-	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%

## LETTER FROM THE BOARD

	As at the Latest Practicable Date		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
- 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%
<b>H Shares</b>	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)	121,912,700	25.00%	121,912,700	21.25%	121,912,700	20.70%
<b>Total</b>	<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 Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

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## LETTER FROM THE BOARD

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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.

### **3. 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 Latest Practicable Date, 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 Latest Practicable Date:

## LETTER FROM THE BOARD

Use of Proceeds	Allocation of Net Proceeds (%)	Allocation of Net Proceeds (HK\$ million)	Amount Utilized (as at the Latest Practicable Date) (HK\$ million)	Amount Unutilized (as at the Latest Practicable Date) (HK\$ million)	Expected Time for Utilization of Unutilized Amount
(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	<u>100</u>	<u>1,111.70</u>	<u>238.01</u>	<u>873.69</u>	

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 Latest Practicable Date.

### V. EGM AND THE CLASS MEETINGS

The EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting will be held at Meeting Room of Broad Homes Headquarters, No. 248 Yinshuang Road, Yuelu District, Changsha at 10:00 a.m., 11:00 a.m. (or immediately after conclusion of the EGM or any adjournment thereof) and 11:30 a.m. (or immediately after conclusion of the H Shareholders Class Meeting or any adjournment thereof), respectively, on Wednesday, July 8, 2020, for the purpose of considering and, if thought fit, passing resolutions regarding the above matters. The notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting are set out in this circular on pages 231 to 235, pages 236 to 238 and pages 239 to 241, respectively.

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## LETTER FROM THE BOARD

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As set out in the notices of the EGM and the Class Meetings, in order to ascertain Shareholders' entitlement to attend the EGM and the Class Meetings, the register of members of the Company will be closed from Monday, July 6, 2020 to Wednesday, July 8, 2020 (both days inclusive). Shareholders whose names appear on the register of members of the Company at the opening of business on Wednesday, July 8, 2020 are entitled to attend and vote at the EGM, the H Shareholders Class Meeting (for the H Shareholders) and/or the Domestic Shareholders Class Meeting (for the Domestic Shareholders).

If you intend to attend the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting by proxy, you are required to complete and return the enclosed form(s) of proxy according to the instructions printed thereon not less than 24 hours before the respective time appointed for the holding of the above-mentioned meetings (i.e., before 10:00 a.m., 11:00 a.m. and/or 11:30 a.m. each on Tuesday, July 7, 2020). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the relevant meetings if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

### VI. VOTING BY POLL

Pursuant to relevant requirements of the Hong Kong Listing Rules, voting at the EGM and the Class Meetings will be taken by poll. The announcements of poll results of the above-mentioned meetings will be published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.bhome.com.cn](http://www.bhome.com.cn)).

Mr. Zhang Jian, Ms. Liu Hui, the companies controlled by Mr. Zhang Jian (i.e. Hunan Broad Lingmu House Equipment Co., Ltd. (湖南遠大鈴木住房設備有限公司), 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)) and Hunan Dazheng Investment Co., Ltd. (湖南大正投資股份有限公司)) and Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司) (collectively, the "**Parties**") shall abstain from voting on the resolution in relation to consideration and approval of the related party transactions during the reporting period at the EGM and/or the Class Meetings (as the case may be). Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders will be required to abstain from voting at the EGM and/or the Class Meetings according to the Hong Kong Listing Rules. For the avoidance of doubt, apart from the resolution in relation to the related party transactions, the Parties are not required to abstain from voting on all other resolutions at the EGM and/or the Class Meetings.

### VII. RECOMMENDATIONS

The Board (including the independent non-executive Directors) are of the opinion that, all of the resolutions as set out in the notices of the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting for Shareholders' consideration and approval are in the interests of the Company and the Shareholders as a whole, and therefore, recommended Shareholders to vote in favour of all the resolutions to be proposed at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting.



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## LETTER FROM THE BOARD

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### VIII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### IX. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

**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 competent 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.**

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

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

In order to expand the scale of production and operation and enhance its core competitiveness, Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange (the “**Offering and Listing**”). Based on the requirements of operation and development of the Company, the proceeds from the Offering and Listing, 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>

The board of directors of the Company has formulated the feasibility analysis report of the aforesaid projects to be financed by the proceeds, details of the main contents are set out in the annex.

Before the 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 from the Offering and Listing are fully raised. In the event that the actual proceeds from the Offering and Listing (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.

The board of directors agrees that the Company shall set up a system for depositing the proceeds from the Offering and Listing in designated account, where the proceeds will be under centralized management in the special account designated by the board of directors and used for designated purpose. The Company will manage and use the proceeds from the Offering and Listing in strict compliance with the Rules for Management of Proceeds of Changsha Broad Homes Industrial Group Co., Ltd. and other relevant regulations.

The above resolution is hereby proposed for Shareholders' consideration.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.

June 18, 2020

## FEASIBILITY ANALYSIS

I. BROAD HOMES CPS HENAN RESEARCH, DEVELOPMENT AND PRODUCTION  
HEADQUARTER BASE PROJECT

## 1. Project overview

The Broad Homes Western China Research, Development and Production Headquarter Base Project has a total site area of about 354 acres and a total gross floor area of 283,000 square meters. Since the project is constructed in multiple phases, this report only analyzes the first phase of the project.

The first phase of the project has a site area of 120,000 square meters (or 180 acres) and a gross floor area of 80,544 square meters, which mainly includes the construction of civil works such as plants, office buildings, living facilities and public facilities. At the same time, concrete equipment such as dual-host mixing station, ring-shaped machine frame, two-body three-dimensional curing kiln, wall panel and floor slab transport vehicle, numerically controlled steel mesh welding production line, etc., PC production line equipment, rebar logistics equipment and laboratory equipment are also required. In addition, it also includes the construction of supporting facilities such as hardening of roads and sites in and out of the project area, power supply and distribution, water supply and drainage, greening and fire protection.

8+1 PC production lines (8 PC production lines + 1 rebar processing production line) will be constructed in the project, and once completed, it can produce 240,000 cubic meters of PC component products every year.

## 2. Necessity and feasibility of the project

***(1) The construction of the project is an important promoter of building a resource-saving and environment-friendly society***

As China is currently undergoing rapid development with an urbanization rate of 30% to 70%, coupled with global economic rebalancing and industrial readjustment, China is facing great challenges from industrial transformation and upgrading and severe problem of overcapacity, and the traditional industrialization and urbanization development model with high input, high consumption and high emission is unsustainable. With the profound changes in internal and external environments and conditions, China clearly put forward the transformation and upgrading goal of “accelerating the transformation of economic development mode, building a resource-saving and environment-friendly society, promoting the transformation and upgrading of the construction industry and taking the new urbanization path”. In this context, prefabricated buildings have become the first choice for adjusting the structure, transforming and upgrading and achieving sustainable development of the construction industry due to their characteristics of high efficiency, safety, energy-saving, environmental protection, low-carbon and high quality.

According to data released by the Housing and Urban-Rural Construction Housing Industrialization Promotion Center of the China Real Estate Research Association under the Ministry of Housing and Urban-Rural Development, industrialized residential properties have the following advantages over traditional residential properties during construction: saving steel, wood, templates, water resources and construction energy consumption by approximately 10%, 80%, 50%, 50% and 30%, respectively, and reducing construction wastes by approximately 70%. In addition, through systematic and comprehensive environmental impact assessment of the construction process of representative industrialized residential properties and traditional residential properties, it is estimated that the construction of one square meter of industrialized residential property reduces the resource consumption by 23%, the ecological damage by 3% and the health damage by 7% compared with the traditional cast-in-situ construction of residential property.

As one of the pioneers and leading enterprises of the industrialization of prefabricated construction in China, Changsha Broad Homes Industrial Group Co, Ltd. adheres to the development direction of construction industrialization. The implementation of the project will greatly facilitate the process of industrialization of China's housing industry, promote the transformation and upgrading of the construction industry, which is conducive to energy conservation, emission reduction and ecological environmental protection in the construction industry, in line with China's basic national policy of resource conservation and environmental protection, and is of great significance for promoting the construction of a resource-saving and environment-friendly society.

***(2) The construction of the project is an inevitable choice to promote the structural adjustment, transformation and upgrading of China's construction industry***

The construction industry is one of the pillar industries of the national economy. In the past 30 years, the rapid development of the construction industry has promoted China's urbanization, but the construction industry itself also faces many problems such as high energy consumption, high pollution, high waste of resources and uncontrollable quality. With the strengthening constraints on resources and the environment, the construction industry, which is based on cheap labor, high consumption and high emissions, is faced with urgent demands for the transformation toward green development and centralized development. As an industry with strong core competitiveness, green and sustainable development, high level of intelligent operation, strong ability to radiate and integrate and vigorous market participants, the development of prefabricated buildings can be effectively integrated with informatization, energy conservation, environmental protection and upgrading of population factors, and has the industrial characteristics driven by the "four-new" and innovation, which is the only way for the transformation and development of the construction industry.

Based on the implementation of the Company's development strategy, the project actively responds to fierce competition in the domestic and foreign markets, caters to the individual needs of the market and customers, and further implements the intelligent upgrade of equipment based on existing manufacturing capabilities to build a world-leading digital integrated production system for prefabricated construction to shorten the product development cycle, improve production efficiency and product quality, reduce production costs, improve enterprise market competitiveness and customer satisfaction. Broad Homes is the "leader" and "pioneer" of China's green construction industry, and the implementation of the project will effectively promote the structural adjustment of China's construction industry and promote the transformation and upgrading of the industry.

**(3) *The construction of the project is an important way to meet the Company's needs for strategic development***

At present, under the strong support and guidance of national policies, the prefabricated buildings industry in China is developing from the introduction period to the growth period and maturity period, and the market capacity is growing rapidly. In order to maintain a leading position and increase the market share in a rapidly developing market, the Company must rely on its years of experience in branding, technology and management to quickly expand the market, and simultaneously adopt new business model to promote the rapid development of the Company and the industry as a whole and improve the benefits. To this end, the Company proposes to focus on its modern manufacturing system as "simplification", "flexible manpower line", "standardization", "modularization" and "flexibility" through in-depth analysis of the concept of Modern Industry 4.0 and based on the idea of digitalization and intelligent management of the information on supply, manufacturing and sales during production process by using the Internet of Things information system, in a bid to quickly and effectively meet customers' diverse product needs.

The implementation of the project may further improve the Company's existing manufacturing system in order to build an overall digital manufacturing platform of the Company, and ultimately realize digital design, factory production, mechanized installation, intelligent delivery, modularized decoration and millimeter-level precision construction, shorten the construction period, ensure construction progress and quality control, and lay the foundation for the implementation of the Company's strategy.

In summary, the industrialization of prefabricated construction involves many industries such as building materials, metallurgy, chemical industry, light industry and environmental protection as well as scientific research, design, development, production, construction and other aspects. The successful implementation of this project can effectively promote the development of the entire industry chain of local and surrounding areas such as construction, steel, building materials, manufacturing, commerce, transportation and other service industries, and thus is conducive to the cultivation of new industrial clusters. It is of great significance for promoting the sustained, healthy and rapid development of the regional economy. Therefore, the construction of this project is necessary and imperative.

**II. THE FIRST PHASE OF ASSEMBLY PC FACTORY CONSTRUCTION PROJECT OF BROAD HOMES WEIFANG DIRECT COMPANY****1. Project overview**

The First Phase of Assembly PC Factory Construction Project of Broad Homes Weifang Direct Company has a site area of 93,334 sq.m. and a total gross floor area of 41,664 sq.m., which mainly includes the construction of factory buildings, office buildings, dormitory buildings, canteens and other civil works. At the same time, concrete equipment such as dual-host mixing station, ring-shaped machine frame, two-body three-dimensional curing kiln, wall panel and floor slab transport vehicle, numerically controlled steel mesh welding production line, etc., PC production line equipment, rebar logistics equipment and laboratory equipment are also required. In addition, it also includes the construction of supporting facilities such as hardening of roads and sites in and out of the project area, power supply and distribution, water supply and drainage, greening and fire protection. 8+1 PC production lines (8 PC production lines + 1 rebar processing production line) will be constructed in the project. Upon completion, the project can produce 240,000 cubic meters of PC component products every year.

**2. Necessity and feasibility of the project****(1) *The construction of the project is an important promoter of building a resource-saving and environment-friendly society***

As one of the pioneers and leading enterprises of the industrialization of prefabricated construction in China, Changsha Broad Homes Industrial Group Co, Ltd. adheres to the development direction of construction industrialization. The implementation of the project will greatly facilitate the process of industrialization of China's housing industry, promote the transformation and upgrading of the construction industry, which is conducive to energy conservation, emission reduction and ecological environmental protection in the construction industry, in line with China's basic national policy of resource conservation and environmental protection, and is of great significance for promoting the construction of a resource-saving and environment-friendly society.

**(2) *The construction of the project is an inevitable choice to promote the structural adjustment, transformation and upgrading of China's construction industry***

Based on the implementation of the Company's development strategy, the project actively responds to fierce competition in the domestic and foreign markets, caters to the individual needs of the market and customers, and further implements the intelligent upgrade of equipment based on existing manufacturing capabilities to build a world-leading digital integrated production system for prefabricated construction to shorten product development cycle, improve production efficiency and product quality, reduce production costs, improve enterprise market competitiveness and customer satisfaction. Broad Homes is the "leader" and "pioneer" of China's green construction industry, and the implementation of the project will effectively promote the structural adjustment of China's construction industry and promote the transformation and upgrading of the industry.

(3) *The construction of the project is an important way to meet the Company's strategic development*

The implementation of the project may further improve the Company's existing manufacturing system in order to build an overall digital manufacturing platform of the Company, and ultimately realize digital design, factory production, mechanized installation, intelligent delivery, modularized decoration and millimeter-level precision construction, shorten the construction period, ensure construction progress and quality control, and lay the foundation for the implementation of the Company's strategy.

### III. BROAD HOMES SMART SITE RESEARCH AND DEVELOPMENT PROJECT

#### 1. Project overview

Broad Homes Smart Site Research and Development Project (hereinafter referred to as Broad Homes Smart Site) includes smart site research and development (research, development and testing of smart site system integration network and Internet of Things (IOT) technology application in the Lugu Valley Phase II factory), which utilizes the online functions of the smart platform to serve local customers offline. After the completion of the research and development of the project, it will have the capacity to serve large-scale prefabricated construction projects in various regions in China and overseas projects at the same time. Taking the 18 domestic regional markets that Broad Homes has deployed or plans to deploy as an example, each regional market serves 10 prefabricated construction projects with a gross floor area of 100,000 square meters each year, and smart site will provide system technology services for the installation and construction of 18 million square meters of prefabricated construction projects each year.

#### 2. Necessity and feasibility of the project

(1) *The need for continuous investment in regional production centers and joint factories*

In order to continue to implement the "Scale + Efficiency" strategy, we are utilizing our network of wholly-owned PC factories and joint factories to integrate technology centers in various regions to achieve a nationwide layout. We will continue to establish regional production centers across the country to maintain our leading position in the market.



As of December 31, 2018, Broad Homes had established six regional manufacturing centers in Hunan Province, Zhejiang Province, Anhui Province, Jiangsu Province, Tianjin City and Shanghai City. The expansion of the existing regional production centers is planned to be completed by the end of 2020. At the same time, by expanding production scale and efficiency through the establishment of new regional production centers in a number of cities with significant market potential, we have further strengthened our position as a leader in China's prefabricated construction industry. Prior to building a new regional production center, a technology center will be established first. We have established a national technology network composed of 20 technology centers in China to allocate technology resources in a centralized manner and provide technical guarantee for all wholly-owned factories and joint factories to provide customers with higher quality overall solutions for prefabricated construction.

**(2) *The need to upgrade to a digital intelligent platform***

In order to continuously improve our research and development capabilities, enhance the soft power of intelligent manufacturing and construct our core competitiveness, we use PC Maker I intelligent design software as a breakthrough to build the CPS intelligent manufacturing management platform through the optimization and improvement of BIM design, construction standards and operation tools, as well as the development of artificial intelligent manufacturing systems. We will also build a self-service rapid design platform for prefabricated construction design that provides designers and design institutes with rapid design tools for all stages and disciplines, prefabricated construction resources, data interface standards and conversion tools for accessing the Manufacturing Management System (MMS). We also plan to develop a project management system for virtual design to provide value-added services such as online design project management, virtual team management and design optimization.

We will use "Internet+" to realize the intelligent design and manufacturing of PC components through PC Maker I by mainly utilizing the data and information of the BIM model to realize the informatization of the whole process and digital operation in all aspects. We will establish a virtual PC factory operational management system and an intelligent worksite project management system for integration into the CPS management system platform. Leveraging the big data of all aspects of prefabricated construction and our customer base, we will establish an online trading platform that guides and attracts the suppliers and potential partners of parts and components, building materials, mechanical and electrical equipment, logistics services and semi-finished products. We will expand our business to the upstream and downstream of the industry chain to build an industry big data platform, thereby facilitating the comprehensive integration of the industry internet platform system.

(3) *Continuous focus on the needs of strategic customers*

In order to assist the target customers in optimizing their products and achieve effective connection between technology and market, we will provide services to the joint factories, promote project cooperation and establish long-term mechanism, thereby ensuring our profitability. We will establish a nationwide system for resource allocation and customer response to provide customized overall solutions of prefabricated construction to the customers, and provide comprehensive technical services and product support in order to help the customers better quantify and control the progress of use of capital and enhance the turnover rate. At the same time, we will establish a comprehensive connection between the product needs of strategic customers, the procurement needs of various local projects, and the needs for information exchange, so as to form a multi-dimensional and deep customer dependence. In addition, we will adopt a national deployment strategy to achieve rapid expansion and reach a new height of scale.

As far as the feasibility analysis of project construction is concerned:

- (1) Through the investigation and analysis of the current national policy environment, the current state of development of China's construction industry, and the market development prospects of the construction industry, based on the characteristics of the project, the technical conditions of this project have been met, the market entry opportunity is mature, and the project is in line with relevant national laws, regulations and policies, and can promote the transformation of China's construction industry, accelerate China's economic development with significant social benefits.
- (2) The total investment amount of the project is RMB140,614,100. Upon completion, the project will serve 18 regional markets, and intelligent construction site implementation services for 1 million square meters of prefabricated construction projects will be provided by each regional market every year. 18 regional markets will serve a total of 18 million square meters of prefabricated construction projects per year, which will generate a revenue of over RMB1.8 billion for Broad Homes Group and associated companies. As such, an investment of RMB141 million may serve a business scale of over RMB1.8 billion for the entire Group and associated companies and ensure the smooth and synchronized execution of large scale businesses across the country. This indicates that the project has high return on investment, good economic benefits and risk resistance capacity, and is economically reasonable

**IV. BROAD HOMES MANSION EXHIBITION CENTER PROJECT****1. Project overview**

Broad Homes Mansion Exhibition Center Project involves the construction of the mansion exhibition centers of seven places in Wuhan, Wuzhi, Weifang, Changsha, Tianjin, Liu'an and Hangzhou. It mainly includes the construction of 45 model houses, including 5 in Wuhan, 7 in Wuzhi, 7 in Weifang, 7 in Changsha, 7 in Tianjin, 5 in Liu'an, and 7 in Hangzhou. Each model house has a floor area of 200~300 square meters and a height of 2-3 floors, mainly including the construction of main structure, fitting-out, interior decoration and other relevant works. At the same time, home appliances and furniture such as air conditioners, televisions, refrigerators, washing machines, movable furniture and bedding are also required. In addition, the project also includes infrastructure construction, road and site hardening, power supply and distribution, water supply and drainage, greening, fire protection and other auxiliary facilities in the project area.

**2. Project necessity****(1) *The construction of the project is an important promoter of building a resource-saving and environment-friendly society***

As one of the pioneers and leading enterprises of the industrialization of prefabricated construction in China, Changsha Broad Homes Industrial Group Co, Ltd. adheres to the development direction of construction industrialization. The implementation of the project will greatly facilitate the process of industrialization of China's housing industry, promote the transformation and upgrading of the construction industry, which is conducive to energy conservation, emission reduction and ecological environmental protection in the construction industry, in line with China's basic national policy of resource conservation and environmental protection, and is of great significance for promoting the construction of a resource-saving and environment-friendly society.

**(2) *The project is an important measure to optimize the housing supply and help revitalize rural areas***

In the context of the strategy of revitalizing rural areas, there is great development potential in prefabricated construction in the future. As the current largest and most powerful green building manufacturer in China, Broad Modular Integration Technology Co., Ltd. has established and improved a comprehensive and integrated industrial chain system and the BIM technology and digital platform system through years of investment in research and development and market operation. At present, the industrial chain of Broad Modular Integration Technology Co., Ltd. has expanded to overseas market. With advanced technology, strict management and high-quality products, the Company has good competition advantage. Based on its actual situation of production and operation, Broad Modular Integration Technology Co., Ltd. intends to propose this construction project to build the mansion exhibition centers, thereby vigorously increasing the Company's production capacity and market share of fabricated construction.

**(3) *The construction of the project is an inevitable choice to promote the structural adjustment, transformation and upgrading of China's construction industry***

Based on the implementation of the Company's development strategy, the project actively responds to fierce competition in the domestic and foreign markets, caters to the individual needs of the market and customers, and further implements the intelligent upgrade of equipment based on existing manufacturing capabilities to build a world-leading digital integrated production system for prefabricated construction to shorten product development cycle, improve production efficiency and product quality, reduce production costs, improve enterprise market competitiveness and customer satisfaction. Broad Modular Integration Technology Co., Ltd. is the "leader" and "pioneer" of China's green construction industry, and the implementation of the project will effectively promote the structural adjustment of China's construction industry and promote the transformation and upgrading of the industry.

**(4) *The project construction is an important way to meet the Company's strategic development and enhance the Company's soft power***

The implementation of the project may further improve the Company's existing marketing system. The project includes the construction of seven mansion exhibition centers in Wuhan of Hubei, Wuzhi in Jiaozuo of Henan, Weifang of Shandong, Changsha of Hunan, Liu'an of Anhui, Tianjin and Hangzhou of Zhejiang, and is a long-term marketing investment. In addition to showing the brand culture, product positioning and exclusive advantages of the Company and comprehensively displaying our corporate image, product strength and service system, the exhibition center may also create a beautiful, comfortable and interesting visiting experience for all types of audiences, which helps build recognition among the audiences and is important for attracting customers, signing contracts and ultimately generating profits. A well-designed showroom can create long-lasting benefits. The showroom as a whole serves the Company and adds value to the Company.

**V. B-BOX MODULARIZED BUILDING PRODUCTION LINE TECHNOLOGY RENOVATION PROJECT**

**1. Project overview**

The B-Box Modularized Building Production Line Technology Renovation Project mainly includes two parts: plant renovation and equipment purchase. In terms of plant renovation, the project only involves transformation of the plant and auxiliary buildings with a total area of 47,923.6 square meters. It is planned to demolish 4 original PC production lines, 4 original curing kilns, concrete processing equipment and semi-finished product processing equipment, and at the same time remove the original laboratory, concrete processing area enclosure and curing kiln enclosure. After the equipments are removed, the ground floor will be restored. In terms of equipment purchase: B-BOX factory is mainly equipped with intelligent storage system (including WMS/WCS system), AGV system, insulation material production line, mold maintenance system, mold installation robot, wall-mounted robotic arm and other storage systems, insulation material production line, module production, wall panel production line equipment and indoor processing production line and other equipment with a total number of 955 sets of equipment.

**2. Project necessity****(1) *The construction of the project is an important promoter of building a resource-saving and environment-friendly society***

As one of the pioneers and leading enterprises of the industrialization of prefabricated construction in China, Changsha Broad Homes Industrial Group Co, Ltd. adheres to the development direction of construction industrialization. The implementation of the project will greatly facilitate the process of industrialization of China's housing industry, promote the transformation and upgrading of the construction industry, which is conducive to energy conservation, emission reduction and ecological environmental protection in the construction industry, in line with China's basic national policy of resource conservation and environmental protection, and is of great significance for promoting the construction of a resource-saving and environment-friendly society.

**(2) *The construction of the project is an important measure for innovative development on the basis of traditional buildings*****(i) *Safety***

The construction of traditional buildings usually requires the use of a large amount of rebar, concrete and templates. During the construction process, high-altitude and high-risk operations are often required for a long time, and safety accidents are prone to occur. Different modules of the modular building are produced in the factory and only need to be assembled on site through simple process, which greatly reduces the occurrence of accidents. Since many areas of China are in earthquake-prone areas, it requires the building to have very strong seismic resistance. The modular structure has good overall performance, and can maintain good stability when an earthquake occurs. With the development of science and technology, at present, the modular building can withstand a magnitude 9 earthquake. Therefore, the modular building has high safety performance.

*(ii) Short construction period and labor saving*

Modular construction has realized the factory production of construction projects. More than 90% of the work of highly modular construction can be completed at the factory, which cannot be rivaled by on-site construction. Traditional construction procedures need to be completed on site. The construction period is significantly affected by workers' proficiency and weather condition. Procedures of placing reinforcement, installing formwork and pouring concrete are repeated for construction of each floor, and the construction of next floor can only commence after the concrete strength meets relevant standards, which takes a lot of time and manpower. Modular construction effectively solves the above problems, as the production operations in the factory are not affected by the weather; staff may start working after simple training due to line production and clear division of labor; each module can be constructed simultaneously without affecting each other which greatly shortens the construction period; the same mold can be reused; mechanized production can reduce the labor required and greatly improve production efficiency; fitting-outs completed in the production lines of the factory can save a lot of time compared with on-site fitting-outs; and only a small amount of on-site lifting work is required which enables safe and quick operation. Therefore, the modular building has the characteristics of short construction period and labor saving.

*(iii) Energy saving and environmental protection*

Each module of the modular building is completed in the factory, reducing the pollution of dust and noise. At the same time, compared with traditional buildings, modular building uses less and lighter materials and has a high spatial structure which can effectively use building space and save a lot of building land. The panels and slabs used in the construction process have good thermal insulation properties, which can make the building indoors warm in winter and cool in summer, reduce the use of air conditioning, fans, heating and other equipment, reduce gas emissions such as freon and carbon dioxide, and protect the natural environment. In the production process of the panels and slabs, non-renewable resources such as cement, sand and stones are not used, and chemical products containing harmful substances such as formaldehyde and toluene are not used. Instead, they are made with non-toxic and harmless materials such as crop straws and construction waste through special techniques, which can enable the residents to move in shortly after the fitting-out works. In addition, most materials of modular construction can be recycled and reused, which not only reduces the generation of domestic waste, but also recovers certain economic benefits, so that modular construction meets the popular concept of sustainable development.

(iv) *Mobility*

Buildings built with traditional reinforced concrete structures are often fixed in a certain place and cannot be moved. Modular building can effectively change this situation as it is installed by connecting the modules with the ground and other modules by using connectors, and if change of location is required, the building can be moved to other places after removing the connectors, which changes the “immovable property” to “movable property”. In addition, the dismantling process does not require complicated procedures and large-scale operation, and transportation of modules only requires a small amount of space. Re-installation does not require complicated procedures either, and the building can be erected quickly by stacking the modules according to the blueprint, which is quick and easy. Moreover, as modular structure is a closed structure which has low requirement for surrounding environment, the construction of modular building only requires a flat ground.

(v) *Modular building can adapt to more experimental applications of new materials and technologies*

For today’s cutting-edge biomaterials and 3D printing construction, if they still rely on traditional construction methods, they will certainly be subject to many restrictions which slow down their application in daily life. Depending on the modular construction method, these can be more easily applied in actual situation.

**(3) *The construction of the project is an inevitable choice to promote the structural adjustment, transformation and upgrading of China’s construction industry***

Based on the implementation of the Company’s development strategy, the project actively responds to fierce competition in the domestic and foreign markets, caters to the individual needs of the market and customers, and further implements the intelligent upgrade of equipment based on existing manufacturing capabilities to build a world-leading digital integrated production system for prefabricated construction to shorten product development cycle, improve production efficiency and product quality, reduce production costs, improve enterprise market competitiveness and customer satisfaction. Broad Homes is the “leader” and “pioneer” of China’s green construction industry, and the implementation of the project will effectively promote the structural adjustment of China’s construction industry and promote the transformation and upgrading of the industry.

**(4) *The construction of the project is an important way to meet the Company’s strategic development***

The implementation of the project may further improve the Company’s existing manufacturing system in order to build an overall digital manufacturing platform of the Company, and ultimately realize digital design, factory production, mechanized installation, intelligent delivery, modularized decoration and millimeter-level precision construction, shorten the construction period, ensure construction progress and quality control, and lay the foundation for the implementation of the Company’s strategy.

**(5) *This project construction is an important way to solve the existing pain points in the construction industry***

- (i) B-BOX products solve the problem of limited size of traditional modular products. According to the requirements of domestic and foreign transportation standards, the maximum size of a single module can be  $12 \times 2.5 \times 3$  meters in length, width and height;
- (ii) Box products require very little on-site work, which can solve problems such as labor, resources, and on-site costs, while promoting energy saving and environmental protection;
- (iii) B-BOX products solve the problem of traditional modular products involving insufficient durability and not meeting the requirements of permanent construction;
- (iv) More than 95% of the fitting-out work of Box products is completed in the factory. By adopting line production in the factory, the quality and precision of the finished products of prefabricated construction are much higher than those constructed on-site.

In general, compared with traditional buildings, modular buildings use factory prefabricated production methods which are not limited by weather and environmental conditions, and can operate 24 hours a day which greatly shorten the construction cycle. The construction cycle is only one third (or even less) of the time required for traditional buildings. Mechanized production can greatly reduce labor usage and labor costs. On-site operations avoid the single-piece, discrete and labor-intensive characteristics of traditional buildings, greatly reducing the probability of safety accidents. The modular building structure system requires less and lighter materials, which not only saves material costs but also effectively increases the usable area. Prefabricated production of various structural parts without the need for secondary processing can reduce material loss rate, processing costs and material costs. Modular buildings have the characteristic of mobility and can be moved to other places as required at any time which cannot be rivaled by traditional buildings. In summary, the modular structure can effectively increase the economic benefits of construction enterprises and help them secure a more important position in the market economy.



*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange (the “**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 (the “**Plan**”), details of which are as follows:

## **I. PRINCIPLES FOR FORMULATION OF THE DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS OF THE COMPANY**

### **(I) Factors Considered by the Company in Formulation of the Plan**

In formulating the Plan, the Company shall focus on the long-term and sustainable development of the Company, make comprehensive analysis on the basis of actual situation of the operational development of the Company, shareholders’ requirements and wishes, social capital costs and external financing environment and other factors, and take full consideration of the Company’s current and future profitability size, cash flow, development stage, funds required for project investment, banking facilities, and conditions of the debt financing market, so as to establish a continuous, stable and reasonable investor return mechanism to make systematic arrangement for profit distribution, thereby maintaining the continuity and stability of profit distribution policy.

### **(II) Principles for Formulation of the Plan**

The Company will implement a proactive, continuous and stable profit distribution policy, and attach importance to the reasonable return on investment of investors while taking into account the actual operation and sustainable development of the Company. In the decision-making and discussion process for the profit distribution policy, the board of directors and general meeting of the Company shall communicate with and fully consider the opinions and requirements of independent directors and minority shareholders, and address their concerns in a timely manner.

**(III) Formulation Cycle and Relevant Decision-making Mechanism of the Dividend Distribution Plan for Shareholders**

The board of directors shall formulate the dividend distribution plan for shareholders based on the profit distribution policy as set out in the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Articles of Association**”). In the event that the profit distribution policy requires adjustment due to requirements of production and operation, investment planning and long-term development or significant changes in external business environment or the Company’s own business conditions, the board of directors of the Company shall make adjustment to the Plan based on actual situation of the Company and propose to the general meeting for consideration.

The Company shall review the dividend distribution plan for shareholders at least once every three years, and shall make appropriate and necessary amendments to the Company’s profit distribution policy in effect based on the opinions of shareholders (especially minority shareholders) and independent directors, so as to determine the dividend distribution plan for shareholders for relevant period.

**II. DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS FOR THREE YEARS AFTER LISTING OF THE COMPANY**

According to the requirements of the Company Law, the Notice on Further Implementing Matters Related to Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guidelines on the Supervision and Administration of Listed Companies No. 3 – Cash Dividend Distribution by Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) and the Articles of Association, after making full provision for statutory reserve and surplus reserve, the Company may make profit distribution for the three years after listing of the Company based on the plan as follows:

- (I) Form of profit distribution: The Company may distribute dividends in the form of cash, shares, a combination of both cash and shares or otherwise as permitted by laws. The amount of profit distribution shall not exceed the accumulated profit available for distribution and shall not impair the Company’s ability to operate on a going concern basis.
- (II) Intervals of profit distribution: The Company shall implement a continuous and stable profit distribution policy and make profit distribution once a year in principle. Where actual conditions allow, the Company may make interim profit distribution.

(III) Specific conditions and proportions of cash dividend of the Company:

If the distributable profit (being the net profit after making up for losses and provision for reserves by the Company) for the year or half year is a positive amount, and there is no major investment plan or major cash expenditure and other special circumstances, the Company may make cash dividend distribution after meeting the capital requirements for normal production and operation of the Company and making full provision for statutory reserve. Profit distributed in cash shall be no less than 10% of the distributable profit generated during the year.

The board of directors of the Company shall give overall consideration to the characteristics of the industry in which the Company operates, the stage of development, the Company's own business model, profit level and whether there are major capital expenditure arrangements and other factors and formulate a differentiated cash dividend policy by distinguishing the following circumstances:

- (1) If the Company is at a mature stage of development, and there are no major capital expenditure arrangements, the profit to be distributed in cash shall be no less than 80% of the total profit to be distributed;
- (2) If the Company is at a mature stage of development, and there are major capital expenditure arrangements, the profit to be distributed in cash shall be no less than 40% of the total profit to be distributed;
- (3) If the Company is at a growing stage of development, and there are major capital expenditure arrangements, the profit to be distributed in cash shall be no less than 20% of the total profit to be distributed;
- (4) If it is difficult to determine the development stage of the Company, and there are major capital expenditure arrangements, the profit distribution can be made according to the requirements in item (3) above.

(IV) Specific conditions for distribution of stock dividends by the Company:

If the Company is in a good operating position, and the board of directors is of the view that the Company has growth potential, the diluted net assets per share and the share price do not match the size of the Company's share capital and other true and reasonable factors, and the distribution of stock dividends is beneficial to the overall interests of all shareholders of the Company, it may propose a stock dividend distribution plan on the basis of meeting the aforesaid conditions for cash dividend distribution.

- (V) Deliberation procedure for profit distribution of the Company:
- (1) The board of directors of the Company is responsible for formulating the profit distribution plan, and the independent directors shall provide independent opinions in this regard;
  - (2) The profit distribution plan considered and approved by the board of directors shall be proposed to the general meeting for consideration and approval before implementation;
  - (3) If the board of directors of the Company does not formulate the cash dividend distribution plan or such plan is not in compliance with the requirements of the Articles of Association, the board of directors shall disclose the detailed reasons and use of retained profits in the periodic report, and the independent directors shall provide independent opinions in this regard;
  - (4) The supervisory committee shall supervise the board of directors in formulation of profit distribution plan, and if the board of directors does not formulate the cash dividend distribution plan according to the Articles of Association or such plan is not in compliance with the Articles of Association, the supervisory committee is entitled to require the board of directors to make rectification;
  - (5) If adjustment to the profit distribution policy is required due to relatively major changes in external business environment or the Company's own business conditions, the board of directors shall formulate new profit distribution policy and the independent directors shall provide opinions in this regard. The new profit distribution policy formulated by the board of directors shall be proposed to the general meeting for consideration, and shall be implemented after being approved by the shareholders holding more than 2/3 of the voting rights present at the general meeting. A combination of on-site voting and online voting shall be provided at the general meeting for the convenience of minority shareholders to participate in the formulation and modification of profit distribution policy.

The board of directors of the Company shall complete the distribution of dividends (or shares) within two months after the profit distribution plan is approved at the general meeting of the Company.

**III. PLAN FOR USE OF RETAINED PROFITS**

In formulating the profit distribution plan, the Company focuses on establishing a continuous, stable and reasonable investor return mechanism to maintain the continuity and stability of profit distribution policy, and also considers the long-term and sustainable development of the Company, current and future profitability and size, cash flow, development stage, funds required for project investment, financing through initial public offering of shares, banking facilities, and conditions of the debt financing market. In the next three years after the initial public offering and listing of the Company's A Shares, the Company will mainly adopt the cash dividend distribution policy, under which the profit to be distributed in cash in a year shall be no less than 10% of the distributable profit generated during such year. The retained profits of the Company will be mainly used to finance the capital expenditure plans other than investment projects to be financed by the proceeds and replenish the additional working capital required for business expansion of the Company.

**IV. ANALYSIS ON RATIONALITY OF THE DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS**

The Company has relatively strong profitability and capital management ability, and has sufficient ability to offer continuous, stable and reasonable returns to the shareholders. The Company maintains stable production and operation, and may obtain the capital required for current stage of development through accumulation from operating activities and proceeds from initial public offering of shares. After initial public offering and listing of shares, the Company will carry out construction of the investment projects to be financed by the proceeds in order to further expand the production scale of the Company and further strengthen its profitability, thereby creating greater value for the shareholders and sharing the benefits from the Company's development with the shareholders. In the years of 2017, 2018 and 2019 and the period from January to March 2020, the Company maintained stable and continuous growth in net profits attributable to the owners of the parent company, and delivered positive net cash flows from operating activities, therefore it is able to offer reasonable return to the shareholders.

**V. ARRANGEMENT FOR FORMULATION OF FUTURE DIVIDEND DISTRIBUTION PLAN FOR SHAREHOLDERS**

The Company formulates the dividend distribution plan for shareholders for a cycle of three years. According to the profit distribution policy as set out in the Articles of Association, the board of directors of the Company will determine the profit distribution plan for a particular period based on the Company's actual business conditions with full consideration of the Company's size of profitability, cash flow, development stage and capital requirement for the period.

**VI. OTHERS**

- (I) The Plan, if considered and approved at the general meeting and the class meetings of the Company, will be implemented from the date of initial public offering and listing of RMB ordinary shares (A Shares) of the Company.
- (II) Any amendment to the Plan shall become effective after being considered and approved at the general meeting and the class meetings of the Company.
- (III) The Plan is subject to interpretation of the board of directors of the Company.

The above resolution is hereby proposed for Shareholders' consideration.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.  
June 18, 2020

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange. 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, details of which are as follows:

## **I. CONDITIONS TO INITIATE THE A SHARES PRICE STABILIZATION MEASURES**

Within three years after the date of listing of the Company’s A Shares, if, for the first time of each year, the closing price (upon ex-right and ex-dividend due to distribution of cash dividends, bonus shares, conversion into share capital and issuance of new A Shares by the Company, relevant adjustment shall be made according to the relevant requirements of the Shenzhen Stock Exchange, similarly hereinafter) of the Company’s A Shares is lower than the latest audited net assets per share (net assets per share = the latest audit net assets ÷ total number of shares of the Company, similarly hereinafter) of the Company for 20 consecutive trading days, the Company will initiate the A Shares price stabilization plan in order to safeguard the interests of all shareholders, boost the confidence of investors and stabilize the price of the Company’s A Shares.

## **II. DETAILED MEASURES AND SEQUENCE OF THE A SHARES PRICE STABILIZATION PLAN**

When conditions to initiate the A Shares price stabilization plan are met, the Company and relevant entities will choose one or more of the following measures to stabilize the A Shares price:

### **(I) A Shares Repurchase by the Company**

The repurchase of A Shares (the “**A Shares Repurchase**”) by the Company from public shareholders through centralized bidding for the purpose of A Shares price stabilization shall be conducted according to the requirements of the Company Law, the Securities Law, the Administrative Measures on Repurchase of Shares by Listed Companies from Public Shareholders (Trial) (《上市公司回購社會公眾股份管理辦法(試行)》), the Supplemental Rules on Repurchase of Shares by Listed Companies Through Centralized Bidding (《關於上市公司以集中競價交易方式回購股份的補充規定》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws, regulations and normative documents, and shall not render the Company’s shareholding distribution in non-compliance with listing requirements.

The board of directors of the Company shall resolve on the A Shares Repurchase, and the directors of the Company shall undertake to vote in favour of such repurchase matters at the meeting of the board of directors.

The general meeting of the Company shall resolve on the A Shares Repurchase. Such resolution shall be approved by the shareholders holding more than two-thirds of the voting rights present at the general meeting, and the Company's controlling shareholders and de facto controllers shall undertake to vote in favour of such repurchase matters at the general meeting.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the Company shall meet the following conditions when conducting A Shares Repurchase to stabilize the A Shares price: 1. the price of A Shares Repurchase shall not exceed the latest audited net assets per share of the Company; 2. the aggregate amount of funds used to stabilize A Shares price through A Shares Repurchase in a single financial year shall be no less than 10% of the audited net profits attributable to shareholders of the parent company in the previous financial year; and 3. the aggregate amount of funds used to stabilize A Shares price through A Shares Repurchase in a single financial year shall not exceed 30% of the audited net profits attributable to shareholders of the parent company in the previous financial year.

**(II) Increase of A Shares Shareholding by Controlling Shareholders and De Facto Controllers of the Company**

The Company's controlling shareholders and de facto controllers shall increase their A Shares shareholdings in the Company in compliance with the conditions and requirements of relevant laws, regulations and normative documents when any one of the following conditions is met: 1. the Company is unable to conduct A Shares Repurchase or the resolution of A Shares Repurchase is not approved at the general meeting; 2. the daily closing price of the Company's A Shares is lower than the latest audited net assets per share for 10 consecutive trading days from the next day after completion of implementation of the A Shares Repurchase plan by the Company; and 3. the conditions for initiating the A Shares price stabilization plan are triggered again within 3 months from the next day after completion of implementation of the A Shares Repurchase plan by the Company.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the controlling shareholders and de facto controllers shall meet the following conditions when increasing their A Shares shareholding in the Company to stabilize the A Shares price: 1. the price per A Share for shareholding increase by the controlling shareholders and de facto controllers shall not exceed the latest audited net assets per share of the Company; 2. the amount of funds used for A Shares shareholding increase by the controlling shareholders and de facto controllers in a single purchase shall be no less than 10% of their cash dividend after tax received from the Company in the previous financial year; and 3. the aggregate amount of funds used for A Shares shareholding increase by the controlling shareholders and de facto controllers in a single financial year shall not exceed 30% of their cash dividend after tax received from the Company in the previous financial year.

The controlling shareholders and de facto controllers shall undertake not to sell the A Shares purchased for A Shares shareholding increase within 6 months after completion of the A Shares shareholding increase plan.



**(III) Increase of A Shares Shareholding by Directors and Senior Management of the Company**

The Company's directors (excluding independent directors) and senior management who receive remuneration from the Company shall increase their A Shares shareholdings in the Company in compliance with the conditions and requirements of relevant laws, regulations and normative documents when any one of the following conditions is met: 1. the daily closing price of the Company's A Shares is lower than the latest audited net assets per share for 10 consecutive trading days from the next day after completion of implementation of the plan of increase of A Shares shareholding by controlling shareholders and de facto controllers; and 2. the conditions for initiating the A Shares price stabilization plan are triggered again within 3 months from the next day after completion of implementation of the plan of increase of A Shares shareholding by controlling shareholders and de facto controllers.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the Company's directors and senior management who are obligated to increase their A Shares shareholdings in the Company shall meet the following conditions when increasing their A Shares shareholding in the Company to stabilize the A Shares price: 1. the price per A Share for shareholding increase shall not exceed the latest audited net assets per share of the Company; and 2. the amount of funds used for A Shares shareholding increase shall be no less than 10% of the total remuneration after tax received by the directors and senior management in the previous year, and shall not exceed 30% of the total remuneration after tax received by the directors and senior management in the previous year.

The Company's directors and senior management who are obligated to increase their A Shares shareholdings in the Company shall undertake not to sell the A Shares purchased for A Shares shareholding increase within 6 months after completion of the A Shares shareholding increase plan.

If there are any newly elected or appointed directors (excluding independent directors) and senior management who receive remuneration from the Company in the future, such directors and senior management shall fulfill the relevant undertakings made by the then directors and senior management upon initial public offering and listing of A Shares of the Company.

**III. PROCEDURES FOR INITIATING THE A SHARES PRICE STABILIZATION MEASURES****(I) Initiating Procedures for A Shares Repurchase by the Company**

1. The board of directors of the Company shall resolve on the A Shares Repurchase within 15 trading days from the date on which the above conditions for initiating the A Shares Repurchase are met;
2. The board of directors of the Company shall announce the resolution of the board of directors and the A Shares Repurchase plan and issue the notice of general meeting within 2 trading days after resolving on A Shares Repurchase;
3. The Company shall initiate the A Shares Repurchase on the next day after the date on which the resolution is passed at the general meeting and relevant statutory procedures are performed, and complete the implementation within 90 trading days;
4. The Company shall announce the report on change of A Shares of the Company within 2 trading days after the completion of implementation of A Shares Repurchase plan, and the A Shares repurchased shall be dealt with in a way determined by the board of directors or the general meeting.

**(II) Initiating Procedures for Increase of A Shares Shareholding by Controlling Shareholders, De Facto Controllers, Directors (Excluding Independent Directors) and Senior Management**

1. The board of directors of the Company shall make announcement on increase of A Shares shareholdings within 2 trading days from the date on which the conditions for initiating the increase of A Shares shareholding by controlling shareholders, de facto controllers, directors and senior management are met;
2. The controlling shareholders, de facto controllers, directors and senior management shall start to increase their A Shares shareholdings from the next day after the date on which the announcement on increase of A Shares shareholdings is made and relevant statutory procedures are performed, and complete the implementation within 90 trading days.

**IV. TERMINATION CONDITIONS OF THE A SHARES PRICE STABILIZATION PLAN**

Since the date of announcing the A Shares price stabilization plan by the Company, if any of the following circumstances occurs, it is deemed that the implementation of the A Shares price stabilization measures is completed and the undertakings are fulfilled, and the announced A Shares price stabilization plan shall be terminated:

- (I) The closing price of the Company's A Shares is higher than the latest audited net assets per share of the Company for 10 consecutive trading days;
- (II) The continuous repurchase of A Shares by the Company or continuous increase in A Shares shareholding by the controlling shareholders, de facto controllers, directors (excluding independent directors) and senior management will render the Company's shareholding distribution in non-compliance with listing requirements;
- (III) The continuous increase in A Shares shareholding by the controlling shareholders, de facto controllers and/or directors and/or senior management will trigger their obligations to make a mandatory tender offer which is beyond their plan.

**V. RESTRAINT MEASURES**

- (I) The Company will remind and procure its controlling shareholders, de facto controllers, directors and senior management (including the existing directors and senior management of the Company and the directors and senior management who are yet to assume office when the undertakings under this plan are entered into or newly elected or appointed in the future) to strictly perform the relevant undertakings made by the Company, its controlling shareholders, de facto controllers, directors and senior management upon initial public offering and listing of A Shares of the Company.
- (II) The Company shall voluntarily accept the supervision from securities regulatory authorities, stock exchanges and other relevant competent authorities on formulation and implementation of the A Shares price stabilization plan and assume legal liabilities. The Company, its controlling shareholders, de facto controllers, directors and senior management undertake that, if the prerequisites for initiating the A Shares price stabilization measures are met, and they fail to implement the above measures to stabilize the A Shares price, they shall be subject to the following restraint measures:
  - 1. If the Company violates its undertakings made under the A Shares price stabilization plan for the three years after listing, it shall: (1) make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) compensate the losses caused to investors due to failure to perform relevant undertakings according to relevant laws.

2. If the controlling shareholders and de facto controllers violate their undertakings made under the A Shares price stabilization plan for the three years after listing, (1) they shall make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to other shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) the lock-up period of A Shares held by the controlling shareholders and de facto controllers shall be extended by six months upon expiry, and the cash dividends after tax received from the Company in the latest financial year shall be returned to the Company. If such dividends are not returned within prescribed period, the Company may withhold the cash dividends to be distributed in the future until the total amount so withheld equals to the total amount of cash dividends received from the Company in the latest financial year in which they are obligated to stabilize the A Shares price.
  
3. If the Company's directors and senior management who are obligated to increase their A Shares shareholding in the Company violate their undertakings made under the A Shares price stabilization plan for the three years after listing, (1) they shall make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) the Company shall withhold 20% of the monthly remuneration after tax of the persons involved from the month in which they fail to perform their undertakings of A Shares price stabilization until the total amount so withheld equals to 20% of the remuneration after tax received from the Company in the latest financial year in which they are obligated to stabilize the A Shares price.

The above resolution is hereby proposed for Shareholders' consideration.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.  
June 18, 2020

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## APPENDIX IV ANALYSIS OF IMPACT OF DILUTION ON IMMEDIATE RETURN OF THE PROPOSED A SHARE OFFERING AND RELEVANT RECOVERY MEASURES

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*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange. According to the offering and listing plan formulated by the Company, the Company proposed to issue not less than 86,054,000 shares through public offering, representing no more than 15% of the total share capital after the offering. Upon completion of the offering, the share capital and net assets of the Company will 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》) of the CSRC (CSRC Announcement [2015] No. 31), the Company has formulated relevant measures to recover the diluted immediate return, details of which are as follows:

The Company undertakes to strive to increase its revenue and earnings through the following measures so as to recover the diluted immediate return and strengthen the Company’s ability in providing continuous return.

### **1. STRENGTHENING THE SUPERVISION AND MANAGEMENT OF INVESTMENT PROJECTS TO BE FINANCED BY THE PROCEEDS AND ENSURING THE LEGAL AND REASONABLE USE OF PROCEEDS**

The Company has formulated the Regulation on Management of Proceeds from Fund Raising Activity of Changsha Broad Homes Industrial Group Co., Ltd., which set out specific requirements on deposit and use of proceeds, management and supervision of use of proceeds and other relevant matters. Upon the proceeds from the offering are fully raised, such proceeds will be deposited into the special account designated by the board of directors for centralized management and will be used for designated purpose. The Company will implement strict management on the use of proceeds according to the requirements of relevant regulations, normative documents and the Company’s regulation on management of proceeds, and actively coordinate with the bank of deposit of the designated account for proceeds and the sponsor to inspect and supervise the use of proceeds, in order to ensure the legal and compliant use of proceeds and prevent relevant risks associated with the use of proceeds, thereby fundamentally safeguarding the interests of investors, especially minority investors.

### **2. ACTIVELY FACILITATING THE CONSTRUCTION OF INVESTMENT PROJECTS TO BE FINANCED BY THE PROCEEDS TO ACHIEVE EXPECTED BENEFITS FROM THE PROJECTS AS SOON AS POSSIBLE**

With focus on the principal business of the Company, the investment projects to be financed by the proceeds are in line with the national industrial policies and are conducive to the expansion of production scale of the Company. Upon completion of construction and commence of operation, the investment projects to be financed by the proceeds will enhance the Company’s ability in production and operation, consolidate the Company’s leading position in the market, and enable the sustainable growth of revenue of the Company.

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**APPENDIX IV            ANALYSIS OF IMPACT OF DILUTION ON IMMEDIATE RETURN OF THE  
PROPOSED A SHARE OFFERING AND RELEVANT RECOVERY MEASURES**

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Upon the proceeds are fully raised, the Company will strengthen the management of capital planning, use, verification and risk prevention, and actively facilitate the construction of investment projects to be financed by the proceeds to achieve expected benefits as soon as possible.

**3.     STRENGTHENING OPERATIONAL MANAGEMENT AND INTERNAL CONTROL TO  
ENHANCE OPERATIONAL EFFICIENCY**

The Company will further facilitate the construction of internal control system, improve and strengthen procedures on making investment decision and reasonably employ various types of financing instruments and channels to control finance costs, improve the efficiency of use of funds, reduce the costs and expenses of the Company, and implement comprehensive and effective control of operational and management risks of the Company. In addition, the Company will continue to improve the corporate governance structure to ensure that the general meeting, board of directors and supervisor committee of the Company can exercise their powers in full, make scientific decisions and effectively perform the function of supervision according to the requirements of relevant laws, regulations and the Articles of Association, thereby effectively safeguarding the legitimate rights and interests of the Company and its shareholders, especially minority shareholders.

**4.     STRICTLY IMPLEMENTING THE CASH DIVIDEND DISTRIBUTION POLICY TO  
PROVIDE REASONABLE RETURN TO THE INVESTORS**

After the offering and listing, the Company will implement a continuous, stable and reasonable investor return plan. The Company has formulated the Articles of Association (Draft) applicable upon listing, which specifies the detailed conditions, proportion and form of distribution of the Company's profit distribution (especially cash dividend distribution) and the conditions of share dividend distribution, and improves the decision-making procedures and mechanisms of the Company's profit distribution and the adjustment principles of profit distribution policy. In addition, the Company has formulated the Dividend Distribution Plan for Shareholders for Three Years after Initial Public Offering and Listing of A Shares of Changsha Broad Homes Industrial Group Co., Ltd., which enhances the transparency and feasibility of decision-making on dividend distribution and facilitates the shareholders' supervision on operation and profit distribution of the Company.

The above resolution is hereby proposed for Shareholders' consideration.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.  
June 18, 2020

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange (the “**Offering and Listing**”). According to the requirements of the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and the Provisions on Report of Use of Proceeds from Previous Fund Raising Activity (《關於前次募集資金使用情況報告的規定》) issued by the CSRC and other laws, regulations and normative documents, 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 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., details of which are set out in the annex.

The above resolution is hereby proposed for Shareholders’ consideration.

Annex: Report of Use of Proceeds from the Previous Fund Raising Activity as of March 31, 2020 of Changsha Broad Homes Industrial Group Co., Ltd.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.  
June 18, 2020

**REPORT OF USE OF PROCEEDS FROM PREVIOUS FUND RAISING ACTIVITY  
AS OF MARCH 31, 2020 OF CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.**

The board of directors and all directors of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**” or “**Broad Homes**”) guarantee that the information contained in this report is true, accurate and complete and that there is no false and misleading statement or material omission.

According to the requirements of Provisions on the Report of Use of Proceeds from Previous Fund Raising Activity of the China Securities Regulatory Commission (《關於前次募集資金使用情況報告的規定》) (CSRC Announcement [2007] No. 500), the management of the Company has prepared the report of use of proceeds raised from issuance of ordinary shares through global public offering of H Shares and exercise of H Share over-allotment option in November 2019 (“**Previous Proceeds**”) as of March 31, 2020, details of which are as follows:

**I. BASIC INFORMATION OF THE PREVIOUS PROCEEDS**

According to the resolution passed at the general meeting of the Company held on December 15, 2018, the Approval on Issuance of Overseas Listed Foreign Investment Shares by Changsha Broad Homes Industrial Group Co., Ltd. issued by the China Securities Regulatory Commission on April 4, 2019 (CSRC Approval [2019] No. 645) and the amended Articles of Association, the maximum number of H Shares issued by the Company through initial public offering shall be 150,158,785 shares. According to the Announcement of Offer Price and Allotment Results issued by the Company on November 5, 2019, the Company issued 121,868,000 H Shares with a nominal value of RMB1.00 each through global public offering at an offer price of HK\$9.68 per share. According to the announcement of Partial Exercise of the Over-Allotment Option, Stabilizing Actions and End of Stabilization Period issued by the Company on November 28, 2019, the Company exercised the H Share over-allotment option to issue 167,400 H Shares with a nominal value of RMB1.00 each at an offer price of HK\$9.68 per share. Through the abovementioned H Share issuance and issuance under H Share over-allotment option, the Company issued a total of 122,035,400 H Shares.

Total proceeds of HK\$1,181,302,672.00 (equivalent to RMB1,056,950,407.45) were received from the abovementioned H Share issuance and issuance under H Share over-allotment option. After deducting certain underwriting and sponsorship fees, the initial deposit amount was HK\$1,111,697,332.79, which was equivalent to RMB994,672,300.66. After deducting the relevant issuance expenses (excluding the deductible input value added tax and expenses for roadshow and financial public relation services directly charged to profit or loss for the period) paid overseas and directly deductible from the proceeds of RMB58,254,703.97 and the sponsorship fee, legal counsel fee, audit fee and other additional external expenses paid domestically and directly related to the abovementioned H Share issuance and issuance under H Share over-allotment option of RMB43,060,191.11 (exclusive of value-added tax), the net proceeds were RMB955,635,512.37.

KPMG Huazhen LLP has inspected and verified the proceeds received from issuance of shares through the global public offering of H Shares and exercise of H Share over-allotment option as of December 3, 2019, and issued the Capital Verification Report of KPMG Huazhen Yan Zi No. 2000026 on January 21, 2020.



## APPENDIX V

## REPORT OF USE OF PROCEEDS FROM PREVIOUS FUND RAISING ACTIVITY OF THE COMPANY

As of March 31, 2020, the Company received interest income of RMB7,516,927.17 derived from the net proceeds from H Share offering.

As of March 31, 2020, based on the actual foreign exchange settlement and utilization, the Company used proceeds from H Share offering of RMB167,997,882.53 in aggregate.

As of March 31, 2020, the proceeds from H Share offering were deposited in the following accounts:

Bank name	Account number	Currency	Initial deposit amount in original currency	Initial deposit amount in RMB	Balance in original currency as at the cut-off date	Balance in RMB as at the cut-off date (RMB)
Bank of China (Hong Kong) Limited	012-687-2-019691-8	HK\$	1,111,697,332.79	994,672,300.66	53,079,305.93	48,498,561.83
Bank of China (Hong Kong) Limited	012-687-2-019692-1	JPY	-	-	58.00	3.80
CMB Wing Lung Bank Limited	60112570761	HK\$	-	-	250,968.83	229,310.22
Bank of Changsha, Xiangyin Branch	800000106809000007	HK\$	-	-	11,619,005.22	10,616,285.07
Bank of Changsha, Xiangyin Branch	800000106809000012	HK\$	-	-	200,000,000.00	182,740,000.00
China Construction Bank, Hunan Branch	43050186363600001244	RMB	-	-	460.22	460.22
China Construction Bank, Hunan Branch	43050186363600001245	HK\$	-	-	3,235,045.97	2,955,861.50
China Construction Bank, Hunan Branch	43050286363600000030	HK\$	-	-	130,000,000.00	118,781,000.00
Bank of Communications, Changsha Gaoxin Sub-branch	431636000132404000114	HK\$	-	-	472,216.96	431,464.64
Bank of Communications, Changsha Gaoxin Sub-branch	431701888013000263106	RMB	-	-	134,272,801.54	134,272,801.54
China Minsheng Bank, Business Department of Changsha Branch	631661211	HK\$	-	-	119,857.62	109,513.91
China Minsheng Bank, Business Department of Changsha Branch	631705598	RMB	-	-	84,055,573.66	84,055,573.66
Pudong Development Bank, Changsha Branch	66010078813200001178	HK\$	-	-	418.11	382.03
Pudong Development Bank, Changsha Branch	66010078801000001182	RMB	-	-	7,672.12	7,672.12
Pudong Development Bank, Changsha Branch	66010076801500000820	RMB	-	-	91,284,732.03	91,284,732.03
Bank of China, Hunan Branch	588574844373	HK\$	-	-	867,230.68	792,388.67
Bank of China, Hunan Branch	588574844952	RMB	-	-	2,968,324.07	2,968,324.07
Bank of China, Hunan Branch	598975220093	RMB	-	-	120,000,000.00	120,000,000.00
Industrial and Commercial Bank of China, Changsha Yuelushan Sub-branch	1901008014200005409	RMB	-	-	45,000,000.00	45,000,000.00
Industrial and Commercial Bank of China, Changsha Yuelushan Sub-branch	1901008029200153357	RMB	-	-	434,770.00	434,770.00
<b>Total</b>			<b>1,111,697,332.79</b>	<b>994,672,300.66</b>	<b>-</b>	<b>843,179,105.31</b>

**II. ACTUAL UTILIZATION OF PREVIOUS PROCEEDS**

As of March 31, 2020, excluding change of exchange rate in settlement of foreign exchange and interest from deposit, the Company has used proceeds from H Share offering of RMB167,997,882.53 in aggregate. For details, please refer to the “COMPARISON TABLE OF USE OF PREVIOUS PROCEEDS” set out in Schedule I to this report.

**III. CHANGE IN USE OF FUNDS FOR INVESTMENT PROJECTS FINANCED BY THE PROCEEDS**

As of March 31, 2020, there was no change in investment projects financed by the proceeds of the Company.

**IV. BENEFITS REALIZED**

The Company’s proceeds from public offering of shares in 2019 have been used for expanding PC unit manufacturing business, researching and developing and expanding intelligent equipment business, researching and developing and establishing an intelligent service platform in the prefabricated construction industry, and working capital and general corporate purposes. However, the benefits from the investment projects financed by the proceeds cannot be accounted for separately. For details, please refer to the “COMPARISON TABLE OF BENEFITS REALIZED FROM INVESTMENT PROJECTS FINANCED BY THE PREVIOUS PROCEEDS” set out in Schedule II to this report.

**V. INFORMATION DISCLOSURE AND COMPARISON OF ACTUAL UTILIZATION OF PROCEEDS**

There is no discrepancy between the actual utilization of the Previous Proceeds of the Company and the relevant information disclosed in the relevant regular reports and other information disclosure documents announced by the Company since November 2019.

## SCHEDULE I:

## COMPARISON TABLE OF USE OF PREVIOUS PROCEEDS

Unit: RMB

No.	Committed investment project	Total investment amount made with proceeds				Actual investment amount	Amount committed to be invested before the fund raising activity	Amount committed to be invested after the fund raising activity	Actual investment amount	Amount committed to be invested after the fund raising activity	Difference between the actual investment amount and the amount committed to be invested after the fund raising activity (Note 1)	Date on which the project is ready for intended use (or construction progress of the project as of the cut-off date)
		Amount committed before the fund raising activity	Amount committed to be invested after the fund raising activity	Actual investment amount	Amount committed to be invested after the fund raising activity							
1	Expanding PC unit manufacturing business	430,035,980.57	430,035,980.57	75,509,642.66	430,035,980.57	75,509,642.66	430,035,980.57	75,509,642.66	430,035,980.57	354,526,337.91	December 31, 2022	
2	Expansion in overseas market	191,127,102.47	191,127,102.47	-	191,127,102.47	-	191,127,102.47	-	191,127,102.47	191,127,102.47	December 31, 2021	
3	Developing and expanding intelligent equipment business	143,345,326.85	143,345,326.85	1,390,103.05	143,345,326.85	1,390,103.05	143,345,326.85	1,390,103.05	143,345,326.85	141,955,223.80	December 31, 2022	
4	Developing and establishing an intelligent service platform in the prefabricated construction industry	95,563,551.24	95,563,551.24	2,584,506.33	95,563,551.24	2,584,506.33	95,563,551.24	2,584,506.33	95,563,551.24	92,979,044.91	December 31, 2021	
5	Working capital and general corporate purposes	95,563,551.24	95,563,551.24	88,513,630.49	95,563,551.24	88,513,630.49	95,563,551.24	88,513,630.49	95,563,551.24	7,049,920.75	December 31, 2020	
Total		955,635,512.37	955,635,512.37	167,997,882.53	955,635,512.37	167,997,882.53	955,635,512.37	167,997,882.53	955,635,512.37	787,637,629.84		

Total amount of proceeds used in aggregate: 167,997,882.53

Total amount of proceeds used in each year/period:

2019: 75,126,112.05

January to March 2020: 92,871,770.48

Amount of proceeds used in aggregate for investment as at the cut-off date

Difference

Total proceeds: 955,635,512.37  
 Total amount of proceeds with change in use: -  
 Proportion of total amount of proceeds with change in use: -

Note 1: The actual investment amount is an RMB equivalent amount calculated based on the actual foreign exchange settlement and utilization. The amount committed to be invested is an RMB equivalent amount calculated based on the exchange rate as at the date of capital verification of proceeds from the H Share offering.

## SCHEDULE II:

## COMPARISON TABLE OF BENEFITS REALIZED FROM INVESTMENT PROJECTS FINANCED BY THE PREVIOUS PROCEEDS

Unit: RMB

No.	Project name	Accumulated capacity utilization rate of the investment project as of the cut-off date	Committed benefits	Actual benefits in the last three years and one period			Accumulated benefits realized as of the cut-off date	Whether the expected benefits are achieved or not
				2017	2018	2019		
1	Expanding PC unit manufacturing business (Note 1)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
2	Expansion in overseas market (Note 2)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
3	Developing and expanding intelligent equipment business (Note 3)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
4	Developing and establishing an intelligent service platform in the prefabricated construction industry (Note 4)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
5	Working capital and general corporate purposes (Note 5)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: Benefits from proceeds used for expanding PC unit manufacturing business cannot be accounted for separately, which was mainly because the investment project was in the initial stage of investment and construction and did not generate benefits.

Note 2: Proceeds used for expansion in overseas market has yet to be used for actual investment.

Note 3: Benefits from proceeds used for developing and expanding intelligent equipment business cannot be accounted for separately, which was mainly because the investment project was in the initial stage of investment and did not generate benefits.

Note 4: Benefits from proceeds used for developing and establishing an intelligent service platform in the prefabricated construction industry cannot be accounted for separately, which was mainly because the investment project was in the initial stage of investment and did not generate benefits.

Note 5: Benefits from the Previous Proceeds used for working capital and general corporate purposes cannot be accounted for separately.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) proposed to apply for initial public offering of RMB ordinary shares (A Shares) and the listing thereof on the ChiNext of the Shenzhen Stock Exchange. 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》) of the CSRC and other relevant requirements, the Company proposed to make a series of undertakings and restraint measures such as undertakings on A Share price stabilization and practical implementation of measures on recovery of diluted immediate return and the restraint measures on non-performance of relevant undertakings in the public offering and listing documents, details of which are set out in the annex.

The above resolution is hereby proposed for consideration by the shareholders.

Board of Directors of Changsha Broad Homes Industrial Group Co., Ltd.  
June 18, 2020

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

#### UNDERTAKING ON A SHARE PRICE STABILIZATION

In order to safeguard the interests of investors, further specify the measures to stabilize the share price of Changsha Broad Homes Industrial Group Co., Ltd. (“**Broad Homes**” or the “**Company**”) in the event that the share price of the Company is lower than the net assets per share within three years after listing, according to the Opinion 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》) issued by the China Securities Regulatory Commission (the “**CSRC**”) and other relevant requirements, 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 (the “**Plan**”), and the Company, its controlling shareholders, de facto controllers, directors and senior management have made the following undertakings on A share price stabilization measures:

#### **I. Conditions to Initiate the A Shares Price Stabilization Measures**

Within three years after the date of listing of the Company’s A Shares, if, for the first time of each year, the closing price (upon ex-right and ex-dividend due to distribution of cash dividends, bonus shares, conversion into share capital and issuance of new shares by the Company, relevant adjustment shall be made according to the relevant requirements of the Shenzhen Stock Exchange, similarly hereinafter) of the Company’s A Shares is lower than the latest audited net assets per share (net assets per share = the latest audited net assets ÷ total number of shares of the Company, similarly hereinafter) of the Company for 20 consecutive trading days, the Company will initiate the A Shares price stabilization plan in order to safeguard the interests of all shareholders, boost the confidence of investors and stabilize the price of the Company’s A Shares.

#### **II. Detailed Measures and Sequence of the A Shares Price Stabilization Plan**

When conditions to initiate the A Shares price stabilization plan are met, the Company and relevant entities will choose one or more of the following measures to stabilize the A Shares price:

##### **(I) A Shares Repurchase by the Company**

The repurchase of A Shares (the “**A Shares Repurchase**”) by the Company from public shareholders through centralized bidding for the purpose of A Shares price stabilization shall be conducted according to the requirements of the Company Law, the Securities Law, the Administrative Measures on Repurchase of A Shares by Listed Companies from Public Shareholders (Trial) (《上市公司回購社會公眾股份管理辦法(試行)》), the Supplemental Rules on Repurchase of Shares by Listed Companies Through Centralized Bidding (《關於上市公司以集中競價交易方式回購股份的補充規定》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other relevant laws, regulations and normative documents, and shall not render the Company’s shareholding distribution in non-compliance with listing requirements.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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The board of directors of the Company shall resolve on the A Shares Repurchase, and the directors of the Company shall undertake to vote in favour of such repurchase matters at the meeting of the board of directors.

The general meeting of the Company shall resolve on the A Shares Repurchase. Such resolution shall be approved by the shareholders holding more than two-thirds of the voting rights present at the general meeting, and the Company's controlling shareholders and de facto controllers shall undertake to vote in favour of such repurchase matters at the general meeting.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the Company shall meet the following conditions when conducting A Shares Repurchase to stabilize the A Shares price: 1. the price of A Shares Repurchase shall not exceed the latest audited net assets per share of the Company; 2. the aggregate amount of funds used to stabilize A Shares price through A Shares Repurchase in a single financial year shall be no less than 10% of the audited net profits attributable to shareholders of the parent company in the previous financial year; and 3. the aggregate amount of funds used to stabilize A Shares price through A Shares Repurchase in a single financial year shall not exceed 30% of the audited net profits attributable to shareholders of the parent company in the previous financial year.

### **(II) Increase of A Shares Shareholding by Controlling Shareholders and De Facto Controllers of the Company**

The Company's controlling shareholders and de facto controllers shall increase their A Shares shareholdings in the Company in compliance with the conditions and requirements of relevant laws, regulations and normative documents when any one of the following conditions is met: 1. the Company is unable to conduct A Shares Repurchase or the resolution of A Shares Repurchase is not approved at the general meeting; 2. the daily closing price of the Company's A Shares is lower than the latest audited net assets per share for 10 consecutive trading days from the next day after completion of implementation of the A Shares Repurchase plan by the Company; and 3. the conditions for initiating the A Shares price stabilization plan are triggered again within 3 months from the next day after completion of implementation of the A Shares Repurchase plan by the Company.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the controlling shareholders and de facto controllers shall meet the following conditions when increasing their A Shares shareholding in the Company to stabilize the A share price: 1. the price per A Share for shareholding increase by the controlling shareholders and de facto controllers shall not exceed the latest audited net assets per share of the Company; 2. the amount of funds used for A Shares shareholding increase by the controlling shareholders and de facto controllers in a single purchase shall be no less than 10% of their cash dividend after tax received from the Company in the previous financial year; and 3. the aggregate amount of funds used for A Shares shareholding increase by the controlling shareholders and de facto controllers in a single financial year shall not exceed 30% of their cash dividend after tax received from the Company in the previous financial year.

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## **APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING**

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The controlling shareholders and de facto controllers shall undertake not to sell the A Shares purchased for A Shares shareholding increase within 6 months after completion of the A Shares shareholding increase plan.

### **(III) Increase of A Shares Shareholding by Directors and Senior Management of the Company**

The Company's directors (excluding independent directors) and senior management who receive remuneration from the Company shall increase their A Shares shareholdings in the Company in compliance with the conditions and requirements of relevant laws, regulations and normative documents when any one of the following conditions is met: 1. the daily closing price of the Company's A Shares is lower than the latest audited net assets per share for 10 consecutive trading days from the next day after completion of implementation of the plan of increase of A Shares shareholding by controlling shareholders and de facto controllers; and 2. the conditions for initiating the A Shares share price stabilization plan are triggered again within 3 months from the next day after completion of implementation of the plan of increase of A Shares shareholding by controlling shareholders and de facto controllers.

In addition to complying with the requirements of relevant laws, regulations and normative documents, the Company's directors and senior management who are obligated to increase their A Shares shareholdings in the Company shall meet the following conditions when increasing their A Shares shareholding in the Company to stabilize the A Shares price: 1. the price per A Share for shareholding increase shall not exceed the latest audited net assets per share of the Company; and 2. the amount of funds used for A Shares shareholding increase shall be no less than 10% of the total remuneration after tax received by the directors and senior management in the previous year, and shall not exceed 30% of the total remuneration after tax received by the directors and senior management in the previous year.

The Company's directors and senior management who are obligated to increase their A Shares shareholdings in the Company shall undertake not to sell the A Shares purchased for A Shares shareholding increase within 6 months after completion of the A Shares shareholding increase plan.

Newly elected or appointed directors (excluding independent directors) and senior management who receive remuneration from the Company shall fulfill the relevant undertakings made by the then directors and senior management upon initial public offering and listing of A Shares of the Company.

### **III. Procedures for Initiating the A Shares Price Stabilization Measures**

#### **(I) Initiating Procedures for A Shares Purchase by the Company**

1. The board of directors of the Company shall resolve on the A Shares Repurchase within 15 trading days from the date on which the above conditions for initiating the A Shares Repurchase are met;



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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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2. The board of directors of the Company shall announce the resolution of the board of directors and the A Shares Repurchase plan and issue the notice of general meeting within 2 trading days after resolving on A Shares Repurchase;
3. The Company shall initiate the A Shares Repurchase on the next day after the date on which the resolution is passed at the general meeting and relevant statutory procedures are performed, and complete the implementation within 90 trading days;
4. The Company shall announce the report on change of A Shares of the Company within 2 trading days after the completion of implementation of A Shares Repurchase plan, and the A Shares repurchased shall be dealt with in a way determined by the board of directors or the general meeting.

### **(II) Initiating Procedures for Increase of A Shares Shareholding by Controlling Shareholders, De Facto Controllers, Directors (Excluding Independent Directors) and Senior Management**

1. The board of directors of the Company shall make announcement on increase of A Shares shareholdings within 2 trading days from the date on which the conditions for initiating the increase of A Shares shareholding by controlling shareholders, de facto controllers, directors and senior management are met;
2. The controlling shareholders, de facto controllers, directors and senior management shall start to increase their A Shares shareholdings from the next day after the date on which the announcement on increase of A Shares shareholdings is made and relevant statutory procedures are performed, and complete the implementation within 90 trading days.

### **IV. Termination Conditions of the A Shares Price Stabilization Plan**

Since the date of announcing the A Shares price stabilization plan by the Company, if any of the following circumstances occurs, it is deemed that the implementation of the A Shares price stabilization measures is completed and the undertakings are fulfilled, and the announced A Shares price stabilization plan shall be terminated:

- (I) The closing price of the Company's A Shares is higher than the latest audited net assets per A share of the Company for 10 consecutive trading days;
- (II) The continuous repurchase of A Shares by the Company or continuous increase in A Shares shareholding by the controlling shareholders, de facto controllers, directors (excluding independent directors) and senior management will render the Company's shareholding distribution in non-compliance with listing requirements;
- (III) The continuous increase in A Shares shareholding by the controlling shareholders, de facto controllers and/or directors and/or senior management will trigger their obligations to make a mandatory tender offer which is beyond their plan.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### V. Restraint Measures

- (I) The Company will remind and procure its controlling shareholders, de facto controllers, directors and senior management (including the existing directors and senior management of the Company and the directors and senior management who are yet to assume office when the undertakings under this plan are entered into or newly elected or appointed in the future) to strictly perform the relevant undertakings made by the Company, its controlling shareholders, de facto controllers, directors and senior management upon initial public offering and listing of A Shares of the Company.
- (II) The Company shall voluntarily accept the supervision from securities regulatory authorities, stock exchanges and other relevant competent authorities on formulation and implementation of the A Shares price stabilization plan and assume legal liabilities. The Company, its controlling shareholders, de facto controllers, directors and senior management undertake that, if the prerequisites for initiating the A Shares price stabilization measures are met, and they fail to implement the above measures to stabilize the A Shares price, they shall be subject to the following restraint measures:
1. If the Company violates its undertakings made under the A Shares price stabilization plan for the three years after listing, it shall: (1) make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) compensate the losses caused to investors due to failure to perform relevant undertakings according to relevant laws.
  2. If the controlling shareholders and de facto controllers violate their undertakings made under the A Shares price stabilization plan for the three years after listing, (1) they shall make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to other shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) the lock-up period of A Shares held by the controlling shareholders and de facto controllers shall be extended by six months upon expiry, and the cash dividends after tax received from the Company in the latest financial year shall be returned to the Company. If such dividends are not returned within prescribed period, the Company may withhold the cash dividends to be distributed in the future until the total amount so withheld equals to the total amount of cash dividends received from the Company in the latest financial year in which they are obligated to stabilize the A Shares price.

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**APPENDIX VI      SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR  
THE PROPOSED A SHARE OFFERING AND LISTING**

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3. If the Company's directors and senior management who are obligated to increase their A Shares shareholding in the Company violate their undertaking made under the A Shares price stabilization plan for the three years after listing, (1) they shall make public explanation on specific reasons of failure to fulfill the undertakings through the media designated by the general meeting of the Company and the CSRC, apologize to shareholders and public investors, and make supplementary or alternative undertakings to safeguard the rights and interests of investors with best efforts; and (2) the Company shall withhold 20% of the monthly remuneration after tax of the persons involved from the month in which they fail to perform their undertakings of A Shares price stabilization until the total amount so withheld equals to 20% of the remuneration after tax received from the Company in the latest financial year in which they are obligated to stabilize the A Shares price.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### UNDERTAKINGS ON MEASURES OF RECOVERY OF DILUTED IMMEDIATE RETURN

Changsha Broad Homes Industrial Group Co., Ltd. (“**Broad Homes**” or the “**Company**”) proposed to apply for initial public offering and listing of shares on the ChiNext of the Shenzhen Stock Exchange. According to the offering and listing plan formulated by the Company, the Company proposed to issue no more than 86,054,000 shares through public offering, representing no more than 15% of the total share capital after the offering. Upon completion of the offering, the share capital and net assets of the Company will increase significantly, 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, and the Company, its controlling shareholders, de facto controllers, directors and senior management have made undertakings on effective implementation of measures of recovery of return, details of which are as follows:

#### **I. Measures of Recovery of Diluted Immediate Return after Initial Public Offering of A Shares of the Company**

The Company undertakes to strive to increase its revenue and earnings through the following measures so as to recover the diluted immediate return and strengthen the Company’s ability in providing continuous return.

##### **1. Strengthening the Supervision and Management of Investment Projects to be Financed by the Proceeds and Ensuring the Legal and Reasonable Use of Proceeds**

The Company has formulated the Regulation on Management of Proceeds from Fund Raising Activity of Changsha Broad Homes Industrial Group Co., Ltd., which sets out specific requirements on deposit and use of proceeds, management and supervision of use of proceeds and other relevant matters. Upon the proceeds from the offering are fully raised, such proceeds will be deposited into the special account designated by the board of directors for centralized management and will be used for designated purpose. The Company will implement strict management on the use of proceeds according to the requirements of relevant regulations, normative documents and the Company’s regulation on management of proceeds, and actively coordinate with the bank of deposit of the designated account for proceeds and the sponsor to inspect and supervise the use of proceeds, in order to ensure the legal and compliant use of proceeds and prevent relevant risks associated with the use of proceeds, thereby fundamentally safeguarding the interests of investors, especially minority investors.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### **2. Actively Facilitating the Construction of Investment Projects to be Financed by the Proceeds to Achieve Expected Benefits from the Projects as Soon as Possible**

With focus on the principal business of the Company, the investment projects to be financed by the proceeds are in line with the national industrial policies and are conducive to the expansion of production scale of the Company. Upon completion of construction and commence of production, the investment projects to be financed by the proceeds will enhance the Company's ability in production and operation, consolidate the Company's leading position in the market, and enable the sustainable growth of revenue of the Company.

Upon the proceeds are fully raised, the Company will strengthen the management of capital planning, use, verification and risk prevention, and actively facilitate the construction of investment projects to be financed by the proceeds to achieve expected benefits as soon as possible.

### **3. Strengthening Operational Management and Internal Control to Enhance Operational Efficiency**

The Company will further facilitate the construction of internal control system, improve and strengthen procedures on making investment decision and reasonably employ various types of financing instruments and channels to control finance costs, improve the efficiency of use of funds, reduce the costs and expenses of the Company, and implement comprehensive and effective control of operational and management risks of the Company. In addition, the Company will continue to improve the corporate governance structure to ensure that the general meeting, board of directors and supervisor committee of the Company can exercise their powers in full, make scientific decisions and effectively perform the function of supervision according to the requirements of relevant laws, regulations and the Articles of Association, thereby effectively safeguarding the legitimate rights and interests of the Company and its shareholders, especially minority shareholders.

### **4. Strictly Implementing the Cash Dividend Distribution Policy to Provide Reasonable Return to the Investors**

After the offering and listing, the Company will implement a continuous, stable and scientific return plan for investors. The Company has formulated the Articles of Association (Draft) applicable after the Proposed A Share Offering and Listing, which specifies the detailed conditions, proportion and form of distribution of the Company's profit distribution (especially cash dividend distribution) and the conditions of share dividend distribution, etc., and improves the decision-making procedures and mechanisms of the Company's profit distribution and the adjustment principles of profit distribution policy. In addition, the Company has formulated the Dividend Distribution Plan for Shareholders for Three Years after Initial Public Offering and Listing of A Shares of Changsha Broad Homes Industrial Group Co., Ltd., which enhances the transparency and feasibility of decision-making on dividend distribution and facilitates the shareholders' supervision on operation and profit distribution of the Company.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### II. Undertakings by the Controlling Shareholders and De Facto Controllers of the Company

In order to reduce the impact of dilution on immediate return by the offering, the controlling shareholders and de facto controllers of the Company have made the following undertakings:

1. Not to intervene the operation and management activities of the Company beyond authority or unlawfully occupy the Company's interests;
2. To undertake to effectively perform the relevant return recovery measures formulated by the Company, and compensate the Company or investors according to relevant laws for any loss caused by violation of any undertakings made in respect of the relevant return recovery measures.

### III. Undertakings by the Directors and Senior Management of the Company

The directors and senior management of the Company will perform their duties with integrity and diligence to safeguard the legitimate rights and interests of the Company and all shareholders. In order to ensure that the measures to recover diluted immediate return of the Company will be implemented effectively, the directors and senior management of the Company have made the following undertakings:

1. Not to provide benefits to other entities or individuals for free or with unfair conditions nor adopt other manners to damage the benefits of the Company.
2. To restrain position-related expenses.
3. Not to appropriate assets of the Company for investments and consumptions not related to duty performance.
4. When the board of directors or the remuneration committee of the Company formulates remuneration policies, to fully support the resolutions related to implementation of return recovery measures of the Company, and if entitled to vote, to vote in favour of such resolutions.
5. If the Company implements share incentive plan in the future, to fully support the resolutions on the share incentive where the exercise of which is correlated to the implementation of the return recovery measures of the Company, and if entitled to vote, to vote in favour of such resolutions.
6. To undertake to effectively perform the relevant return recovery measures formulated by the Company, and compensate the Company or investors according to relevant laws for any loss caused by violation of any undertakings made in respect of the relevant return recovery measures.

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## APPENDIX VI SUBSTANTIAL UNDERTAKINGS MADE BY THE COMPANY FOR THE PROPOSED A SHARE OFFERING AND LISTING

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### UNDERTAKINGS ON RESTRAINT MEASURES ON FAILURE TO PERFORM RELEVANT PUBLIC UNDERTAKINGS

Changsha Broad Homes Industrial Group Co., Ltd. (“**Broad Homes**” or the “**Company**”) proposed to apply for initial public offering and listing of shares on the ChiNext of the Shenzhen Stock Exchange (the “**Offering**”). 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 regulatory requirements and provisions of the CSRC, if the Company fails to perform the public undertakings made in the prospectus, the Company agrees to adopt the following restraint measures:

- I. If the relevant undertakings made publicly by the Company in the prospectus contain restraint measures, such restraint measures specified in those undertakings shall prevail; if the Company violates those undertakings, the Company agrees to adopt the restraint measures specified in those undertakings.
- II. If the relevant undertakings made publicly by the Company in the prospectus do not contain restraint measures, and the Company fails to fully or effectively perform such undertakings due to reasons other than force majeure, the Company agrees to adopt the following restraint measures:
  1. The Company will make public explanation on specific reasons of failure to perform the undertakings through the newspaper designated by the general meeting and the CSRC and apologize to shareholders and public investors;
  2. The Company will assume relevant responsibilities according to the requirements of relevant laws and regulations and the regulatory authorities;
  3. The Company will compensate the investors for any losses in securities transactions due to its failure to perform the above undertakings according to relevant laws;
  4. The Company shall not increase the remuneration or allowance of its directors, supervisors and senior management in any form before completely eliminating the adverse effects caused by its failure to perform relevant undertakings;
  5. Other measures that may be adopted according to the then relevant regulations.

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

<b>Original Articles</b>	<b>Amended Articles of the Articles of Association (Draft)</b>
<p><b>Article 1</b> These Articles of Association have been formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Special Regulations of the State Council for the Issue and Listing of Shares Overseas by Joint Stock Limited Companies (the “Special Regulations”), the Mandatory Provisions for the Articles of Association of Companies Listed Overseas (the “Mandatory Provisions”), the Guidelines for the Articles of Association of Listed Companies (the “AOA Guidelines”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK Listing Rules”) and other relevant requirements in order to protect the legal rights and interests of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and its shareholders and creditors, and to regulate the organization and acts of the Company.</p>	<p><b>Article 1</b> These Articles of Association have been formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Special Regulations of the State Council for the Issue and Listing of Shares Overseas by Joint Stock Limited Companies (the “Special Regulations”), the Mandatory Provisions for the Articles of Association of Companies Listed Overseas (the “Mandatory Provisions”), the Guidelines for the Articles of Association of Listed Companies (the “AOA Guidelines”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK Listing Rules”), <b><u>the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “ChiNext Listing Rules”)</u></b> and other relevant requirements in order to protect the legal rights and interests of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and its shareholders and creditors, and to regulate the organization and acts of the Company.</p>



Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 2</b> The Company is a joint stock limited company reorganized and established by way of promotion by Zhang Jian (張劍), Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司), 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), Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥)), Shanghai Xinji Investment Center (Limited Partnership)* (上海欣際投資中心(有限合夥)), Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)* (上海漢麟創業投資企業(有限合夥)), Shanghai Ruili Emerging Industry Investment Fund (Limited Partnership)* (上海瑞力新興產業投資基金(有限合夥)), Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)* (湖南高新匯能創業投資企業(有限合夥)), Shanghai Longteng Bafang Enterprise Development Co., Ltd.* (上海龍騰八方企業發展有限公司), Hunan Xiangjinsheng Investment Co., Ltd.* (湖南湘錦聖投資有限公司), Yang Lixin (楊立新), Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業(有限合夥)), Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)* (上海永鈞股權投資合夥企業(有限合夥)) and Shenzhen Meitou High-tech Venture Investment Co., Ltd.* (深圳市美投高新技術創業投資有限公司) in accordance with the Company Law, the Securities Law, the Special Regulations and other relevant laws and regulations of the People's Republic of China (the "PRC", which, for the purposes of these Articles of Association, does not include the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan). The Company was registered with Changsha Administration for Industry and Commerce on 10 December 2015, and obtained a business license. The unified social credit code is 91430100788018504U.</p>	<p><b>Article 2</b> The Company is a joint stock limited company reorganized and established by way of promotion by Zhang Jian (張劍), Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司), 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), Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥)), Shanghai Xinji Investment Center (Limited Partnership)* (上海欣際投資中心(有限合夥)), Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)* (上海漢麟創業投資企業(有限合夥)), Shanghai Ruili Emerging Industry Investment Fund (Limited Partnership)* (上海瑞力新興產業投資基金(有限合夥)), Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)* (湖南高新匯能創業投資企業(有限合夥)), Shanghai Longteng Bafang Enterprise Development Co., Ltd.* (上海龍騰八方企業發展有限公司), Hunan Xiangjinsheng Investment Co., Ltd.* (湖南湘錦聖投資有限公司), Yang Lixin (楊立新), Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業(有限合夥)), Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)* (上海永鈞股權投資合夥企業(有限合夥)) and <del>Shenzhen Meitou High-tech Venture Investment Co., Ltd.* (深圳市美投高新技術創業投資有限公司)</del><b>Gongqingcheng Meitou Shenyuan Investment Co., Ltd.* (共青城美投深遠投資有限公司)</b> in accordance with the Company Law, the Securities Law, the Special Regulations and other relevant laws and regulations of the People's Republic of China (the "PRC", which, for the purposes of these Articles of Association, does not include the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan). The Company was registered with Changsha Administration for Industry and Commerce on 10 December 2015, and obtained a business license. The unified social credit code is 91430100788018504U.</p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 7</b> These Articles of Association shall come into force on the date that the Company’s overseas listed foreign investment shares are listed and begin trading on The Stock Exchange of Hong Kong Limited (the “SEHK”) and replace the Articles of Association which have been formerly registered and filed with the Administration for Industry and Commerce.</p> <p>These Articles of Association shall become legally binding documents that regulate the organization and acts of the Company and the rights and obligations between the Company and the shareholders and between shareholders inter se from the date on which they become effective.</p>	<p><b>Article 7</b> These Articles of Association shall come into force on the date that <del>the Company’s overseas listed foreign investment shares are listed and begin trading on The Stock Exchange of Hong Kong Limited (the “SEHK”)</del><u>the Company completes the initial public offering of A shares and such A shares are listed on the ChiNext Market of Shenzhen Stock Exchange (the “SZSE”)</u>, and replace the Articles of Association which have been formerly registered and filed with the Administration for Industry and Commerce.</p> <p>Articles of Association shall become legally binding documents that regulate the organization and acts of the Company and the rights and obligations between the Company and the shareholders and between shareholders inter se from the date on which they become effective.</p>
<p><b>Article 8</b> These Articles of Association shall be binding on the Company and its shareholders, directors, supervisors and senior management members, all of whom shall be entitled to, according to these Articles of Association, make claims in respect of rights concerning the matters of the Company.</p> <p>Subject to Article 241 of these Articles of Association, shareholders may sue shareholders; shareholders may sue directors, supervisors and senior management members of the Company; shareholders may sue the Company; and the Company may sue shareholders, directors, supervisors and senior management members in accordance with these Articles of Association.</p> <p>For the purposes of the preceding paragraph, the term “sue” shall include the institution of proceedings in a court or the application to an arbitration institution for arbitration.</p>	<p><b>Article 8</b> These Articles of Association shall be binding on the Company and its shareholders, directors, supervisors and senior management members, all of whom shall be entitled to, according to these Articles of Association, make claims in respect of rights concerning the matters of the Company.</p> <p>Subject to Article <del>241</del><u>262</u> of these Articles of Association, shareholders may sue shareholders; shareholders may sue directors, supervisors and senior management members of the Company; shareholders may sue the Company; and the Company may sue shareholders, directors, supervisors and senior management members in accordance with these Articles of Association.</p> <p>For the purposes of the preceding paragraph, the term “sue” shall include the institution of proceedings in a court or the application to an arbitration institution for arbitration.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 13</b> The scope of business of the Company shall be that approved by the Changsha Administration for Industry and Commerce and shall include: research and testing of projects and technology; production and possessing of furniture; retail of sanitary wares; installation of household appliances; production of precast concrete components; elevator installation engineering services; the import and export business of goods and technologies conducted by itself or as an agent, other than goods and technologies restricted or prohibited from import and export by the State; technological development services for new materials; research and development of permeable concrete; production of renewable construction materials; manufacturing of machineries for the production of construction materials, wooden doors and windows, stairs, machineries for construction engineering, enamel sanitary wares and metal bathroom and plumbing appliances; and sales of electrical and machinery equipment and minerals. (For businesses that require approval by laws, they may only be commenced after obtaining approval from the relevant authorities).</p> <p>The Company may change its scope of business based on its own development needs in accordance with laws.</p>	<p><b>Article 13</b> The scope of business of the Company shall be that approved by <del>the Changsha Administration for Industry and Commerce</del> <b><u>the Market Supervision and Administration Bureau of Hunan Province</u></b> and shall include: research and testing of projects and technology; production and possessing of furniture; retail of sanitary wares; installation of household appliances; production of precast concrete components; elevator installation engineering services; the import and export business of goods and technologies conducted by itself or as an agent, other than goods and technologies restricted or prohibited from import and export by the State; technological development services for new materials; research and development of permeable concrete; production of renewable construction materials; manufacturing of machineries for the production of construction materials, wooden doors and windows, stairs, machineries for construction engineering, enamel sanitary wares and metal bathroom and plumbing appliances; and sales of electrical and machinery equipment and minerals. (For businesses that require approval by laws, they may only be commenced after obtaining approval from the relevant authorities).</p> <p>The Company may change its scope of business based on its own development needs in accordance with laws.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 18</b> Shares issued by the Company to domestic investors to be subscribed for in Renminbi are referred to as “domestic investment shares”. Shares issued by the Company to foreign investors to be subscribed for in foreign currency are referred to as “foreign investment shares”. Foreign investment shares which are listed outside the PRC are referred to as “overseas listed foreign investment shares”.</p> <p>For the purposes of the preceding paragraph, the term “foreign currency” refers to the legal currency of other countries or regions (other than the Renminbi) that can be used to pay the subscription monies to the Company and which is recognized by the competent state foreign exchange administration authority.</p> <p>Overseas listed foreign investment shares of the Company that are listed in Hong Kong are referred to as “H shares”. H shares are shares which have been admitted for listing on the SEHK with a par value denominated in RMB and are subscribed for and traded in Hong Kong dollars.</p> <p>Domestic investment shares can be converted into H shares after obtaining the approval from the State Council or its authorized bodies and the consent of the SEHK. Upon obtaining an approval from the securities regulatory authorities of the State Council, domestic shareholders of the Company may transfer all or part of shares held by them to foreign investors and have such shares listed and traded on overseas stock exchange(s). All or part of the domestic investment shares are convertible into foreign investment shares, and the converted foreign investment shares may be listed and traded on overseas stock exchange(s). The shares transferred or converted that are listed and traded on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading of the transferred or converted shares on such overseas stock exchange are not subject to the holding of a general meeting or a class shareholders’ meeting for voting. The overseas listed foreign investment shares converted from domestic investment shares shall be of the same class as the existing overseas listed foreign investment shares.</p>	<p><b>Article 18</b> Shares issued by the Company to domestic investors to be subscribed for in Renminbi are referred to as “domestic investment shares”. Shares issued by the Company to foreign investors to be subscribed for in foreign currency are referred to as “foreign investment shares”. Foreign investment shares which are listed outside the PRC are referred to as “overseas listed foreign investment shares”.</p> <p>For the purposes of the preceding paragraph, the term “foreign currency” refers to the legal currency of other countries or regions (other than the Renminbi) that can be used to pay the subscription monies to the Company and which is recognized by the competent state foreign exchange administration authority.</p> <p>Overseas listed foreign investment shares of the Company that are listed in Hong Kong are referred to as “H shares”. H shares are shares which have been admitted for listing on the SEHK with a par value denominated in RMB and are subscribed for and traded in Hong Kong dollars.</p> <p><b><u>Domestic listed shares of the Company that are listed on the SZSE are referred to as “A shares”. A shares are shares which have been admitted for listing on the SZSE with a par value denominated in RMB and are subscribed for and traded in RMB.</u></b></p> <p>Domestic investment shares can be converted into H shares after obtaining the approval from the State Council or its authorized bodies and the consent of the SEHK. Upon obtaining an approval from the securities regulatory authorities of the State Council, domestic shareholders of the Company may transfer all or part of shares held by them to foreign investors and have such shares listed and traded on overseas stock exchange(s). All or part of the domestic investment shares are convertible into foreign investment shares, and the converted foreign investment shares may be listed and traded on overseas stock exchange(s). The shares transferred or converted that are listed and traded on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading of the transferred or converted shares on such overseas stock exchange are not subject to the holding of a general meeting or a class shareholders’ meeting for voting. The overseas listed foreign investment shares converted from domestic investment shares shall be of the same class as the existing overseas listed foreign investment shares.</p>

**APPENDIX VII**

**COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles						Amended Articles of the Articles of Association (Draft)					
<b>Article 20</b> At the time of incorporation, the Company issued a total of 285,770,000 ordinary shares to the promoters. The names, number of shares held in the Company, shareholding, method of capital contribution and time of capital contribution of the promoters are as follows:						<b>Article 20</b> At the time of incorporation, the Company issued a total of 285,770,000 ordinary shares to the promoters. The names, number of shares held in the Company, shareholding, method of capital contribution and time of capital contribution of the promoters are as follows:					
No.	Name of promoters	Number of shares subscribed for ( <i>'0,000 shares</i> )	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for ( <i>'0,000 shares</i> )	Shareholding (%)	Method of capital contribution	Time of capital contribution
1	Zhang Jian	14,292.32	50.0134	Shares converted from net assets	3 December 2015	1	Zhang Jian	14,292.32	50.0134	Shares converted from net assets	3 December 2015
2	Hunan Broad Lingmu House Equipment Co., Ltd.	5,514.68	19.2976	Shares converted from net assets	3 December 2015	2	Hunan Broad Lingmu House Equipment Co., Ltd.	5,514.68	19.2976	Shares converted from net assets	3 December 2015
3	Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)	1,550	5.4239	Shares converted from net assets	3 December 2015	3	Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)	1,550	5.4239	Shares converted from net assets	3 December 2015
4	Hunan Dazheng Investment Co., Ltd.	1,000	3.4993	Shares converted from net assets	3 December 2015	4	Hunan Dazheng Investment Co., Ltd.	1,000	3.4993	Shares converted from net assets	3 December 2015
5	Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)	410	1.4347	Shares converted from net assets	3 December 2015	5	Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)	410	1.4347	Shares converted from net assets	3 December 2015
6	Shanghai Xinji Investment Center (Limited Partnership)	630	2.2046	Shares converted from net assets	3 December 2015	6	Shanghai Xinji Investment Center (Limited Partnership)	630	2.2046	Shares converted from net assets	3 December 2015
7	Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)	270	0.9448	Shares converted from net assets	3 December 2015	7	Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)	270	0.9448	Shares converted from net assets	3 December 2015
8	Shanghai Ruili Emerging Industry Investment Fund (Limited Partnership)	720	2.5195	Shares converted from net assets	3 December 2015	8	Shanghai Ruili Emerging Industry Investment Fund (Limited Partnership)	720	2.5195	Shares converted from net assets	3 December 2015

## APPENDIX VII

COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION

Original Articles					Amended Articles of the Articles of Association (Draft)						
No.	Name of promoters	Number of shares subscribed for (*0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for (*0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution
9	Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)	300	1.0498	Shares converted from net assets	3 December 2015	9	Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)	300	1.0498	Shares converted from net assets	3 December 2015
10	Shanghai Longteng Bafang Enterprise Development Co., Ltd.	318	1.1128	Shares converted from net assets	3 December 2015	10	Shanghai Longteng Bafang Enterprise Development Co., Ltd.	318	1.1128	Shares converted from net assets	3 December 2015
11	Hunan Xiangjinsheng Investment Co., Ltd.	323	1.1303	Shares converted from net assets	3 December 2015	11	Hunan Xiangjinsheng Investment Co., Ltd.	323	1.1303	Shares converted from net assets	3 December 2015
12	Yang Lixin	300	1.0498	Shares converted from net assets	3 December 2015	12	Yang Lixin	300	1.0498	Shares converted from net assets	3 December 2015
13	Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)	2,117	7.4081	Shares converted from net assets	3 December 2015	13	Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)	2,117	7.4081	Shares converted from net assets	3 December 2015
14	Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)	353	1.2353	Shares converted from net assets	3 December 2015	14	Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)	353	1.2353	Shares converted from net assets	3 December 2015
15	Shenzhen Meitou High-tech Venture Investment Co., Ltd.	479	1.6762	Shares converted from net assets	3 December 2015	15	<del>Gongqingcheng Meitou Shenyuan Investment Co., Ltd. Shenzhen Meitou High-tech Venture Investment Co., Ltd.</del>	479	1.6762	Shares converted from net assets	3 December 2015
	<b>Total</b>	<b>28,577</b>	<b>100</b>	<b>-</b>	<b>-</b>		<b>Total</b>	<b>28,577</b>	<b>100</b>	<b>-</b>	<b>-</b>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 21</b> As approved by the CSRC, the Company may conduct the initial public offering of 122,035,400 overseas listed foreign investment ordinary shares to foreign investors (including 167,400 shares that are over-allotted). Such ordinary shares are all H shares.</p> <p>Upon completion of the issue of the above overseas listed foreign investment shares, the share capital structure of the Company shall comprise 487,639,400 ordinary shares, of which, Zhang Jian, a promoter, will hold 171,507,840 shares, representing 35.17% of the total ordinary share capital; Hunan Broad Lingmu House Equipment Co., Ltd., a promoter, will hold 66,176,160 shares, representing 13.57% of the total ordinary share capital; Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership), a promoter, will hold 18,600,000 shares, representing 3.81% of the total ordinary share capital; Hunan Dazheng Investment Co., Ltd., a promoter, will hold 12,000,000 shares, representing 2.46% of the total ordinary share capital; Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership), a promoter, will hold 5,412,000 shares, representing 1.11% of the total ordinary share capital; Shanghai Xinji Investment Center (Limited Partnership), a promoter, will hold 7,560,000 shares, representing 1.55% of the total ordinary share capital; Shanghai Hanlin Venture Investment Enterprise (Limited Partnership), a promoter, will hold 3,240,000 shares, representing 0.66% of the total ordinary share capital; Hunan Gaixin Huineng Venture Investment Enterprise (Limited Partnership), a promoter, will hold 3,600,000 shares, representing 0.74% of the total ordinary share capital; Shanghai Longteng Bafang Enterprise Development Co., Ltd., a promoter, will hold 3,816,000 shares, representing 0.78% of the total ordinary share capital; Yang Lixin, a promoter, will hold 3,600,000 shares, representing 0.74% of the total ordinary share capital; Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership), a promoter, will hold 25,404,000 shares, representing 5.21% of the total ordinary share capital; Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership), a promoter, will hold 4,236,000 shares, representing 0.87% of the total ordinary share capital; Shenzhen Meitou High-tech Venture Investment Co., Ltd., a promoter, will hold 5,748,000 shares, representing 1.18% of the total ordinary share capital; and the H shareholders will hold 122,035,400 shares, representing 25.03% of the total ordinary share capital.</p>	<p><b>Article 21</b> As approved by the CSRC, the Company may conduct the initial public offering of 122,035,400 overseas listed foreign investment ordinary shares to foreign investors (including 167,400 shares that are over-allotted). Such ordinary shares are all H shares.</p> <p>Upon completion of the issue of the above overseas listed foreign investment shares, the share capital structure of the Company shall comprise 487,639,400 ordinary shares, of which, Zhang Jian, a promoter, will hold 171,507,840 shares, representing 35.17% of the total ordinary share capital; Hunan Broad Lingmu House Equipment Co., Ltd., a promoter, will hold 66,176,160 shares, representing 13.57% of the total ordinary share capital; Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership), a promoter, will hold 18,600,000 shares, representing 3.81% of the total ordinary share capital; Hunan Dazheng Investment Co., Ltd., a promoter, will hold 12,000,000 shares, representing 2.46% of the total ordinary share capital; Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership), a promoter, will hold 5,412,000 shares, representing 1.11% of the total ordinary share capital; Shanghai Xinji Investment Center (Limited Partnership), a promoter, will hold 7,560,000 shares, representing 1.55% of the total ordinary share capital; Shanghai Hanlin Venture Investment Enterprise (Limited Partnership), a promoter, will hold 3,240,000 shares, representing 0.66% of the total ordinary share capital; Hunan Gaixin Huineng Venture Investment Enterprise (Limited Partnership), a promoter, will hold 3,600,000 shares, representing 0.74% of the total ordinary share capital; Shanghai Longteng Bafang Enterprise Development Co., Ltd., a promoter, will hold 3,816,000 shares, representing 0.78% of the total ordinary share capital; Yang Lixin, a promoter, will hold 3,600,000 shares, representing 0.74% of the total ordinary share capital; Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership), a promoter, will hold 25,404,000 shares, representing 5.21% of the total ordinary share capital; Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership), a promoter, will hold 4,236,000 shares, representing 0.87% of the total ordinary share capital; <del>Shenzhen Meitou High-tech Venture Investment Co., Ltd.</del> <b>Gongqingcheng Meitou Shenyuan Investment Co., Ltd.</b>, a promoter, will hold 5,748,000 shares, representing 1.18% of the total ordinary share capital; and the H shareholders will hold 122,035,400 shares, representing 25.03% of the total ordinary share capital.</p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
	<b><u>After being reviewed and approved by the SZSE and reported to the CSRC on the implementation of the issuance and registration procedures, the Company may make an initial public offering of [ • ] ordinary shares to the public, all of which will be A shares.</u></b>
<p><b>Article 22</b> Upon the approval of the Company’s plans for the offering of domestic investment shares and overseas listed foreign investment shares by the CSRC, the board of directors of the Company may arrange for implementation of such plan by means of separate issues.</p> <p>The Company’s plans for the offering of domestic investment shares and overseas listed foreign investment shares in accordance with the preceding paragraph may be implemented separately within 15 months from the date of approval by the CSRC.</p>	<p><b>Article 22</b> Upon the approval of the Company’s plans for the offering of domestic investment shares and overseas listed foreign investment shares by the CSRC, the board of directors of the Company may arrange for implementation of such plan by means of separate issues.</p> <p>The Company’s plans for the offering of domestic investment shares and overseas listed foreign investment shares in accordance with the preceding paragraph may be implemented separately within 15 months from the date of approval by the CSRC <b><u>or the validity period of the approval documents.</u></b></p>



## APPENDIX VII

COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION

Original Articles						Amended Articles of the Articles of Association (Draft)					
<b>Article 24</b> The registered capital of the Company prior to the issue of H shares was RMB365,604,000. The names, number of shares held in the Company, shareholding, method of capital contribution and time of capital contribution of the shareholders prior to the issue of H shares are as follows:						<b>Article 24</b> The registered capital of the Company prior to the issue of H shares was RMB365,604,000. The names, number of shares held in the Company, shareholding, method of capital contribution and time of capital contribution of the shareholders prior to the issue of H shares are as follows:					
No.	Name of promoters	Number of shares subscribed for ( <i>'0,000 shares</i> )	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for ( <i>'0,000 shares</i> )	Shareholding (%)	Method of capital contribution	Time of capital contribution
1	Zhang Jian	17,150.784	46.9108	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	1	Zhang Jian	17,150.784	46.9108	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
2	Hunan Broad Lingmu House Equipment Co., Ltd.	6,617.616	18.1005	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	2	Hunan Broad Lingmu House Equipment Co., Ltd.	6,617.616	18.1005	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
3	Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)	1,860.00	5.0874	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	3	Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)	1,860.00	5.0874	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
4	Hunan Dazheng Investment Co., Ltd.	1,200.00	3.2822	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	4	Hunan Dazheng Investment Co., Ltd.	1,200.00	3.2822	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
5	Hunan Dingxinixin Share Capital Investment Management Partnership (Limited Partnership)	541.20	1.4803	Shares converted from net assets, monetary contributions, conversion of capital reserve to share capital	3 December 2015, 14 December 2017 and 23 March 2019	5	Hunan Dingxinixin Share Capital Investment Management Partnership (Limited Partnership)	541.20	1.4803	Shares converted from net assets, monetary contributions, conversion of capital reserve to share capital	3 December 2015, 14 December 2017 and 23 March 2019
6	Shanghai Xinji Investment Center (Limited Partnership)	756.00	2.0678	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	6	Shanghai Xinji Investment Center (Limited Partnership)	756.00	2.0678	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
7	Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)	324.00	0.8862	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	7	Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)	324.00	0.8862	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019

## APPENDIX VII

COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION

Original Articles					Amended Articles of the Articles of Association (Draft)						
No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution
8	Hunan Jiuyi Tongfu Private Equity Fund Partnership Enterprise (Limited Partnership)	693.60	1.8971	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	8	Hunan Jiuyi Tongfu Private Equity Fund Partnership Enterprise (Limited Partnership)	693.60	1.8971	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
9	Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)	360.00	0.9847	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	9	Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)	360.00	0.9847	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
10	Shanghai Longteng Bafang Enterprise Development Co., Ltd.	381.60	1.0438	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	10	Shanghai Longteng Bafang Enterprise Development Co., Ltd.	381.60	1.0438	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
11	Zhou Bin	387.60	1.0602	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	11	Zhou Bin	387.60	1.0602	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
12	Yang Lixin	360.00	0.9847	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	12	Yang Lixin	360.00	0.9847	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
13	Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)	2,540.40	6.9485	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	13	Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)	2,540.40	6.9485	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
14	Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)	423.60	1.1586	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	14	Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)	423.60	1.1586	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
15	Shenzhen Meitou High-tech Venture Investment Co., Ltd.	574.80	1.5722	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	15	<del>Shenzhen Meitou High-tech Venture Investment Co., Ltd.</del> Gongqingcheng Meitou Shenyuan Investment Co., Ltd.	574.80	1.5722	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019

## APPENDIX VII

COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION

Original Articles					Amended Articles of the Articles of Association (Draft)						
No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution
16	Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)	685.20	1.8742	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	16	Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)	685.20	1.8742	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
17	Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)	513.60	1.4048	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	17	Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)	513.60	1.4048	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
18	Hunan Friendship & Apollo Commercial Co., Ltd.	240.00	0.6564	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	18	Hunan Friendship & Apollo Commercial Co., Ltd.	240.00	0.6564	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
19	Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)	240.00	0.6564	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	19	Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)	240.00	0.6564	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
20	Peng Xingni	171.60	0.4694	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	20	Peng Xingni	171.60	0.4694	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
21	Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)	124.80	0.3414	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	21	Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)	124.80	0.3414	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
22	Kong Jianguo	102.00	0.2790	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	22	Kong Jianguo	102.00	0.2790	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
23	Wang Yongxian	75.60	0.2068	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	23	Wang Yongxian	75.60	0.2068	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019

Original Articles					Amended Articles of the Articles of Association (Draft)						
No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution	No.	Name of promoters	Number of shares subscribed for (/0,000 shares)	Shareholding (%)	Method of capital contribution	Time of capital contribution
24	Hunan Caixin Industry Fund Management Co., Ltd.	66.00	0.1805	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019	24	Hunan Caixin Industry Fund Management Co., Ltd.	66.00	0.1805	Monetary contributions, conversion of capital reserve to share capital	14 December 2017 and 23 March 2019
25	Hong Yefan	84.00	0.2298	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	25	Hong Yefan	84.00	0.2298	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
26	Changsha Yinghe Shengdao Private Equity Fund Partnership Enterprise (Limited Partnership)	42.00	0.1149	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	26	Changsha Yinghe Shengdao Private Equity Fund Partnership Enterprise (Limited Partnership)	42.00	0.1149	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
27	Hangzhou Zhongche Shidai Venture Investment Partnership Enterprise (Limited Partnership)	44.40	0.1214	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019	27	Hangzhou Zhongche Shidai Venture Investment Partnership Enterprise (Limited Partnership)	44.40	0.1214	Shares converted from net assets, conversion of capital reserve to share capital	3 December 2015 and 23 March 2019
Total		36,560.4	100	-	-	Total		36,560.4	100	-	-
<p>Upon the completion of the above-mentioned issue of H shares, the registered capital of the Company shall be RMB487,639,400. The change of the Company's registered capital shall be registered with the administration authorities for industry and commerce.</p>						<p>Upon the completion of the above-mentioned issue of H shares, the registered capital of the Company shall be RMB487,639,400. <b><u>Upon completion of the above-mentioned issuance of A shares, the registered capital of the Company shall be RMB[•].</u></b> The change of the Company's registered capital shall be registered with the administration authorities for industry and commerce.</p>					
<p><b>Article 25</b> Save as otherwise provided in laws, administrative regulations and by the SEHK, shares of the Company may be transferred freely and shall be clear of any lien.</p>						<p><b>Article 25</b> Save as otherwise provided in laws, administrative regulations and by the SEHK <b>and the SZSE</b>, shares of the Company may be transferred freely and shall be clear of any lien.</p>					

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 32</b> The Company may, in the following circumstances, buy back its own outstanding shares by the procedures provided for in laws and these Articles of Association:</p> <p>(I) cancellation of shares in order to reduce its registered capital;</p> <p>(II) merger with another company holding shares of the Company;</p> <p>(III) shares are being used in the employee shareholding scheme or as equity incentive;</p> <p>(IV) a shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests the Company to purchase his/her shares;</p> <p>(V) shares are being used to satisfy the conversion of corporate bonds issued by the Company that can be converted to shares;</p> <p>(VI) safeguarding corporate value and shareholders' rights and interests as the Company deems necessary;</p> <p>(VII) other circumstances approved in laws or administrative regulations and by the approval authority authorized by the State Council.</p> <p>Except under the above circumstances, the Company may not trade its own shares.</p> <p>Where the Company buy back its own shares, the obligation of information disclosure shall be performed in accordance with the Securities Law and the Listing Rules.</p>	<p><b>Article 32</b> The Company may, in the following circumstances, buy back its own outstanding shares by the procedures provided for in laws and these Articles of Association:</p> <p>(I) cancellation of shares in order to reduce its registered capital;</p> <p>(II) merger with another company holding shares of the Company;</p> <p>(III) shares are being used in the employee shareholding scheme or as equity incentive;</p> <p>(IV) a shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests the Company to purchase his/her shares;</p> <p>(V) shares are being used to satisfy the conversion of corporate bonds issued by the Company that can be converted to shares;</p> <p>(VI) safeguarding corporate value and shareholders' rights and interests as the Company deems necessary;</p> <p>(VII) other circumstances approved in laws or administrative regulations and by the approval authority authorized by the State Council.</p> <p>Except under the above circumstances, the Company may not trade its own shares.</p> <p>Where the Company buy back its own shares, the obligation of information disclosure shall be performed in accordance with the Securities Law and the <del>Listing Rules</del> <b>listing rules of the Company's listing venues</b>.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 35</b> The purchase of its own shares by the Company for a reason specified in items (I) and (II) of Article 32 of these Articles of Association shall be subject to a resolution at the general meeting. The purchase of its own shares by the Company for a reason specified in items (III), (V) and (VI) of Article 32 of these Articles of Association shall be subject to resolution at the meeting of the board of directors with at least two-thirds of the directors present. If the Company purchases its shares for the reason specified in item (I) of Article 32, it shall cancel such shares within 10 days from the date of the purchase. If the Company purchases its shares for the reason specified in item (II) or (IV) of Article 32, it shall transfer or cancel such shares within six months. If the Company purchases its shares for the reason specified in item (III), (V) or (VI) of Article 32, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares of the Company in issue and shall be transferred or cancelled within three years.</p> <p>If the Company buys back H shares, it shall observe the relevant requirements of the Listing Rules.</p> <p>If the Company cancels shares, it shall carry out the registration of the change in its registered capital with the original registrar.</p> <p>The amount of the Company's registered capital shall be reduced by the total par value of the shares canceled.</p>	<p><b>Article 35</b> The purchase of its own shares by the Company for a reason specified in items (I) and (II) of Article 32 of these Articles of Association shall be subject to a resolution at the general meeting. The purchase of its own shares by the Company for a reason specified in items (III), (V) and (VI) of Article 32 of these Articles of Association shall be subject to resolution at the meeting of the board of directors with at least two-thirds of the directors present. If the Company purchases its shares for the reason specified in item (I) of Article 32, it shall cancel such shares within 10 days from the date of the purchase. If the Company purchases its shares for the reason specified in item (II) or (IV) of Article 32, it shall transfer or cancel such shares within six months. If the Company purchases its shares for the reason specified in item (III), (V) or (VI) of Article 32, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares of the Company in issue and shall be transferred or cancelled within three years.</p> <p>If the Company buys back H shares, it shall observe the relevant requirements of the <del>Listing Rules</del> <b><u>SEHK Listing Rules</u></b>.</p> <p>If the Company cancels shares, it shall carry out the registration of the change in its registered capital with the original registrar.</p> <p>The amount of the Company's registered capital shall be reduced by the total par value of the shares canceled.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 58</b> Subject to Article 241 hereof, if a director or a senior management member violates the laws or breaches these Articles of Association in performing his/her duties for the Company, thereby causing the Company to sustain a loss, a shareholder who individually has held or shareholders who jointly have held at least 1 percent of the Company’s shares for at least 180 days in succession shall have the right to request in writing that the supervisory committee institutes a legal action in a People’s Court. If the supervisory committee violates the laws or breaches these Articles of Association in performing its duties for the Company, thereby causing the Company to sustain a loss, the aforesaid shareholders may request in writing that the board of directors institutes a legal action in a People’s Court.</p> <p>If the supervisory committee or the board of directors refuses to institute a legal action after receipt of the written request from the shareholders as mentioned in the preceding paragraph, or fails to institute a legal action within 30 days from the date of receipt of the request, or if the circumstances are urgent and failure to promptly institute a legal action would cause irreparable harm to the Company’s interests, the shareholders mentioned in the preceding paragraph shall have the right, in the interests of the Company, to directly institute a legal action in a People’s Court in their own names.</p> <p>If a third party infringes on the lawful rights and interests of the Company, thereby causing the Company to sustain a loss, the shareholders mentioned in the first paragraph of this Article may institute a legal action in a People’s Court pursuant to the preceding two paragraphs.</p>	<p><b>Article 58</b> Subject to Article 24+<del>262</del> hereof, if a director or a senior management member violates the laws or breaches these Articles of Association in performing his/her duties for the Company, thereby causing the Company to sustain a loss, a shareholder who individually has held or shareholders who jointly have held at least 1 percent of the Company’s shares for at least 180 days in succession shall have the right to request in writing that the supervisory committee institutes a legal action in a People’s Court. If the supervisory committee violates the laws or breaches these Articles of Association in performing its duties for the Company, thereby causing the Company to sustain a loss, the aforesaid shareholders may request in writing that the board of directors institutes a legal action in a People’s Court.</p> <p>If the supervisory committee or the board of directors refuses to institute a legal action after receipt of the written request from the shareholders as mentioned in the preceding paragraph, or fails to institute a legal action within 30 days from the date of receipt of the request, or if the circumstances are urgent and failure to promptly institute a legal action would cause irreparable harm to the Company’s interests, the shareholders mentioned in the preceding paragraph shall have the right, in the interests of the Company, to directly institute a legal action in a People’s Court in their own names.</p> <p>If a third party infringes on the lawful rights and interests of the Company, thereby causing the Company to sustain a loss, the shareholders mentioned in the first paragraph of this Article may institute a legal action in a People’s Court pursuant to the preceding two paragraphs.</p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 61</b> The controlling shareholder and actual controller of the Company may not take advantage of their connected relationships to harm the interests of the Company, and they shall be held liable for damages if, as a result of violating a regulation, they cause the Company to sustain a loss.</p> <p>The controlling shareholder and actual controller of the Company bear a fiduciary duty toward the Company and public shareholders. The controlling shareholder shall exercise its rights as an investor in strict accordance with the laws. The controlling shareholder may not use means such as profit distribution, asset restructuring, investment in a third party, appropriation of funds, loan security, etc. or use its controlling position to harm the lawful rights and interests of the Company and the public shareholders.</p> <p>In addition to the obligations imposed by laws and the listing rules of the stock exchange on which Company shares are listed, the controlling shareholder of the Company may not, in exercising its powers as shareholders, make decisions prejudicial to the interests of all or some of the shareholders due to the exercise of its voting rights on the issues set forth below:</p> <p>(I) relieving a director or supervisor of the responsibility to act honestly in the best interest of the Company;</p> <p>(II) approving that a director or supervisor (for his/her own or another person's benefit) deprives the Company of its property in any way, including but not limited to any opportunities that are advantageous to the Company;</p> <p>(III) approving that a director or supervisor (for his/her own or another person's benefit) deprives other shareholders of their individual rights and interests, including but not limited to the rights to distributions and voting rights, but excluding the restructuring of the Company submitted to the general meeting for adoption in accordance with these Articles of Association.</p>	<p><b>Article 61</b> The controlling shareholder and actual controller of the Company may not take advantage of their <b>related</b> (connected) relationships to harm the interests of the Company, and they shall be held liable for damages if, as a result of violating a regulation, they cause the Company to sustain a loss.</p> <p><b><u>If a shareholder holding more than 5% of the Company's voting shares pledges the shares held by him/her/it, he/she/it shall make a written report to the Company at the date of the event.</u></b></p> <p>The controlling shareholder and actual controller of the Company bear a fiduciary duty toward the Company and public shareholders. The controlling shareholder shall exercise its rights as an investor in strict accordance with the laws. The controlling shareholder may not use means such as profit distribution, asset restructuring, investment in a third party, appropriation of funds, loan security, etc. or use its controlling position to harm the lawful rights and interests of the Company and the public shareholders.</p> <p>In addition to the obligations imposed by laws and the listing rules of the stock exchange on which Company shares are listed, the controlling shareholder of the Company may not, in exercising its powers as shareholders, make decisions prejudicial to the interests of all or some of the shareholders due to the exercise of its voting rights on the issues set forth below:</p> <p>(I) relieving a director or supervisor of the responsibility to act honestly in the best interest of the Company;</p> <p>(II) approving that a director or supervisor (for his/her own or another person's benefit) deprives the Company of its property in any way, including but not limited to any opportunities that are advantageous to the Company;</p> <p>(III) approving that a director or supervisor (for his/her own or another person's benefit) deprives other shareholders of their individual rights and interests, including but not limited to the rights to distributions and voting rights, but excluding the restructuring of the Company submitted to the general meeting for adoption in accordance with these Articles of Association.</p>



**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 63</b> The general meeting shall exercise the following functions and powers:</p> <p>(I) to decide on the business policies and investment plans of the Company;</p> <p>(II) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to their remuneration;</p> <p>(III) to consider and approve reports of the board of directors;</p> <p>(IV) to consider and approve reports of the supervisory committee;</p> <p>(V) to consider and approve the Company’s annual financial budgets and final accounts;</p> <p>(VI) to consider and approve the Company’s profit distribution plans and plans for making up losses;</p> <p>(VII) to pass resolutions concerning the increase or reduction of the Company’s registered capital;</p> <p>(VIII) to pass resolutions on the issuance of corporate bonds;</p> <p>(IX) to pass resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;</p> <p>(X) to prepare and amend these Articles of Association;</p> <p>(XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;</p>	<p><b>Article 63</b> The general meeting shall exercise the following functions and powers:</p> <p>(I) to decide on the business policies and investment plans of the Company;</p> <p>(II) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to their remuneration;</p> <p>(III) to consider and approve reports of the board of directors;</p> <p>(IV) to consider and approve reports of the supervisory committee;</p> <p>(V) to consider and approve the Company’s annual financial budgets and final accounts;</p> <p>(VI) to consider and approve the Company’s profit distribution plans and plans for making up losses;</p> <p>(VII) to pass resolutions concerning the increase or reduction of the Company’s registered capital;</p> <p>(VIII) to pass resolutions on the issuance of corporate bonds;</p> <p>(IX) to pass resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;</p> <p>(X) to prepare and amend these Articles of Association;</p> <p>(XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;</p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
(XII) to consider motions raised by a shareholder alone or shareholders together holding at least 3 percent of the Company’s voting shares;	(XII) to consider motions raised by a shareholder alone or shareholders together holding at least 3 percent of the Company’s voting shares;
(XIII) to consider and approve matters relating to the purchase or disposal of material assets by the Company within one year in an amount representing more than 30 percent of the Company’s latest audited total assets;	(XIII) to consider and approve matters relating to the purchase or disposal of material assets by the Company within one year in an amount representing more than 30 percent of the Company’s latest audited total assets;
	<b><u>(XIV) to consider and approve matters relating to guarantees as specified in the Article 64;</u></b>
	<b><u>(XV) to consider and approve matters relating to any change in the use of proceeds;</u></b>
(XIV) to consider and approve equity incentive plans;	<del>(XIV)</del> to consider and approve equity incentive plans;
(XV) to consider and approve connected transactions required to be approved by the general meeting;	<del>(XV)</del> to consider and approve <b>related</b> (connected) transactions required to be approved by the general meeting;
(XVI) to consider other matters that require to be resolved by the general meeting as prescribed by laws, administrative regulations, departmental rules, regulatory documents and relevant regulations of the securities regulatory authority of the place where Company shares are listed and these Articles of Association.	<del>(XVI)</del> to consider other matters that require to be resolved by the general meeting as prescribed by laws, administrative regulations, departmental rules, regulatory documents and relevant regulations of the securities regulatory authority of the place where Company shares are listed and these Articles of Association.
Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, the general meeting may authorize or entrust the board of directors to handle the matters authorized or entrusted by it.	Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, the general meeting may authorize or entrust the board of directors to handle the matters authorized or entrusted by it.

Original Articles	Amended Articles of the Articles of Association (Draft)
-	<p><b>Article 64</b> <u>The following external guarantees provided by the Company shall be submitted to the general meeting for approval after the deliberation and approval by the board of directors:</u></p> <p><b>(I)</b> <u>any guarantee with a single guaranteed amount in excessive of 10% of the Company's latest audited net assets;</u></p> <p><b>(II)</b> <u>any guarantee provided after the total amount of guarantees provided by the Company and its subsidiaries exceeds 50% of the Company's latest audited net assets;</u></p> <p><b>(III)</b> <u>guarantees provided to guaranteed objects whose asset-liability ratio exceeds 70%;</u></p> <p><b>(IV)</b> <u>guarantees of which the guaranteed amount in the twelve consecutive months exceeds 50% of the Company's latest audited net assets and the absolute amount exceeds RMB50 million;</u></p> <p><b>(V)</b> <u>guarantees of which the guaranteed amount in the twelve consecutive months exceeds 30% of the Company's latest audited total assets;</u></p> <p><b>(VI)</b> <u>guarantees provided to shareholders, actual controllers and their related (connected) persons;</u></p> <p><b>(VII)</b> <u>other guarantees as specified by the stock exchanges where the Company's shares are listed and the Articles of Association.</u></p> <p><u>The "external guarantee" in these Articles of Association refers to the guarantee provided by the Company to others, including the guarantee provided by the Company to its controlling subsidiaries. The "total amount of guarantees provided by the Company and its controlling subsidiaries" refers to the sum of the total external guarantees provided by the Company (including the guarantees provided by the Company to its controlling subsidiaries) and the total external guarantees provided by the Company's controlling subsidiaries.</u></p>

Original Articles	Amended Articles of the Articles of Association (Draft)
	<p><u>When the board of directors considers the guarantee matters, such matters shall be passed by approval of more than two-thirds of the directors present at the board meeting. When the general meeting considers the guarantee matters in item (V) of the first paragraph, such matters shall be passed by approval of more than two-thirds of the voting rights held by the shareholders present at the meeting.</u></p> <p><u>When the general meeting considers the resolution regarding guarantees provided to shareholders, actual controllers and their related (connected) persons, such shareholders or shareholders controlled by the actual controllers shall not participate in the voting, and such resolution shall be passed by approval of more than half of the voting rights held by other shareholders present at the general meeting.</u></p> <p><u>If the Company provides guarantees for a wholly-owned subsidiary or guarantees for a controlling subsidiary and other shareholders of such subsidiary would provide guarantees in proportion to their rights and interests, and such guarantees fall within the scope of items (I) to (IV) of the first paragraph of this article, they can be exempted from being submitted to the general meeting for consideration, except as otherwise stipulated in the Articles of Association.</u></p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 66</b> The Company shall hold general meetings at its domicile or other specific location as notified in the notice of the general meeting.</p> <p>A meeting venue will be established for general meetings and meetings shall be held on site. The Company will also enable shareholders to have access to the general meeting by other means as permitted by the listing rules of the place where the shares of the Company are listed. The shareholders that have participated in the general meeting through access of any aforesaid means shall be deemed as present at the meeting.</p>	<p><b>Article 67</b> The Company shall hold general meetings at its domicile or other specific location as notified in the notice of the general meeting.</p> <p>A meeting venue will be established for general meetings and meetings shall be held on site. The Company <del>will also</del> <b>shall</b> enable shareholders to have access to the general meeting <del>by other means as permitted by the listing rules of the place where the shares of the Company are listed</del> <b>by way of online voting</b>. The shareholders that have participated in the general meeting through access of any aforesaid means shall be deemed as present at the meeting.</p> <p><u><b>If the general meeting is held through the Internet or other means, the voting time and voting procedures of the online voting or other means shall be clearly stated in the notice of the general meeting. The voting time of the general meeting held through the Internet or other means shall not be earlier than 3:00 p.m. on the day before the on-site general meeting, and shall not be later than 9:30 a.m. on the day of the on-site general meeting. Such voting shall not end earlier than 3:00 p.m. on the day of the on-site general meeting.</b></u></p>
-	<p><u><b>Article 69 The supervisory committee has the right to propose to the board of directors to convene an extraordinary general meeting, and it shall make such proposal in writing. The board of directors shall, in accordance with the provisions of laws, administrative regulations and these Articles of Association, provide written feedback on whether or not it agrees to convene an extraordinary general meeting within 10 days after receiving the proposal.</b></u></p> <p><u><b>If the board of directors agrees to convene an extraordinary general meeting, it will issue a notice of convening a general meeting within 5 days following making the resolution of the board of directors. Any changes to the original proposal set out in the notice shall be approved by the supervisory committee. If the board of directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the proposal, it is deemed that the board of directors cannot perform or fails to perform the duties of convening a general meeting, and the supervisory committee may convene and preside over it on its own.</b></u></p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 68</b> Shareholders requesting the convening of a class shareholders' meeting shall do so by the procedures set forth below:</p> <p>(I) two or more shareholders holding in aggregate at least 10 percent of the shares carrying the voting right at the meeting to be held may sign one or more written requests of identical form and content requesting that the board of directors convenes a class shareholders' meeting and stating the topics to be discussed at the meeting. The board of directors shall convene the class shareholders' meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made.</p>	<p><b>Article 70</b> Shareholders requesting the convening of <b><u>an extraordinary general meeting or</u></b> a class shareholders' meeting shall do so by the procedures set forth below:</p> <p>(I) two or more shareholders holding in aggregate at least 10 percent of the shares carrying the voting right at the meeting to be held may sign one or more written requests of identical form and content requesting that the board of directors convenes a class shareholders' meeting and stating the topics to be discussed at the meeting. The board of directors shall convene the class shareholders' meeting as soon as possible after having received the aforementioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made. <b><u>The board of directors shall, in accordance with the provisions of laws, regulations and these Articles of Association, provide written feedback on whether or not it agrees to convene an extraordinary general meeting or a class shareholders' meeting within 10 days after receiving the request.</u></b></p>

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<p>(II) if the board of directors fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the shareholders who made such request may themselves convene the meeting within four months after the board of directors received the request. The procedures for the shareholders to convene such meeting shall, to the extent possible, be identical to the procedures for the board of directors to convene the shareholders' meetings.</p>	<p><del>(H) if the board of directors fails to issue a notice to convene such meeting within 30 days after having received the aforementioned written request, the shareholders who made such request may themselves convene the meeting within four months after the board of directors received the request. The procedures for the shareholders to convene such meeting shall, to the extent possible, be identical to the procedures for the board of directors to convene the shareholders' meetings.</del></p> <p><b><u>(II) if the board of directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the supervisory committee to convene an extraordinary general meeting, and shall submit a request to the supervisory committee in writing.</u></b></p> <p><b><u>(III) If the supervisory committee agrees to convene an extraordinary general meeting, it will issue a notice of convening a general meeting within 5 days after receiving the request. Any changes to the original proposal set out in the notice shall be approved by relevant shareholders.</u></b></p> <p><b><u>If the supervisory committee fails to issue a notice of convening a general meeting within the prescribed time limit, the supervisory committee shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over themselves.</u></b></p>
<p>If shareholders convene and hold a meeting themselves because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.</p>	<p>If shareholders <b>or the supervisory committee</b> convene and hold a meeting themselves because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.</p>

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-	<p><b><u>Article 71</u></b> <b><u>If the supervisory committee or shareholders decide to convene a general meeting on their own, they must notify the board of directors in writing, and at the same time file with the local CSRC office where the Company is located and the stock exchange.</u></b></p> <p><b><u>Before the announcement of the resolution of the general meeting, the shareholding of the convening shareholders shall not be less than 10%.</u></b></p> <p><b><u>The convening shareholders shall, when issuing the notice of the general meeting and the announcement on the resolutions of the general meeting, submit relevant certification materials to the local CSRC office where the Company is located and the stock exchange.</u></b></p>
<p><b>Article 73</b> When the Company is to hold a general meeting, the board of directors, the supervisory committee and a shareholder alone or shareholders together holding 3 percent or more of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>A shareholder alone or shareholders together holding at least 3 percent of the shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such an extempore motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.</p> <p>Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice and announcement of the general meeting have been issued.</p> <p>The general meeting may not vote and pass resolution on motions that are not set forth in the notice of the general meeting or that are in breach of Article 72 of these Articles of Associations.</p>	<p><b>Article 76</b> When the Company is to hold a general meeting, the board of directors, the supervisory committee and a shareholder alone or shareholders together holding 3 percent or more of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>A shareholder alone or shareholders together holding at least 3 percent of the shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such an extempore motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.</p> <p>Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice and announcement of the general meeting have been issued.</p> <p>The general meeting may not vote and pass resolution on motions that are not set forth in the notice of the general meeting or that are in breach of Article <del>72</del><b>75</b> of these Articles of Associations.</p>



Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 75</b> The notice of a general meeting shall:</p> <p>(I) be made in writing;</p> <p>(II) specify the time, place and duration of the meeting;</p> <p>(III) set out the matters and motions submitted to the meeting for consideration;</p> <p>(IV) provide to the shareholders the information and explanations necessary to make informed decisions on the matters to be discussed, which include but not limited to, when the Company proposes a merger, buyback of shares, restructuring of share capital or other reorganization, the specific conditions and contract (if any) of the transaction contemplated and earnest explanation of the cause and effect of the transaction;</p> <p>(V) contain a disclosure of the nature and extent of the material interests, if any, of any director, supervisor, general manager or other senior management members in any matter to be discussed; and an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, general manager or other senior management members in his/her capacity as a shareholder and the way in which such matter would affect other shareholders of the same class;</p> <p>(VI) contain the full text of any special resolution proposed to be approved at the meeting;</p> <p>(VII) contain conspicuously a statement that all shareholders are entitled to attend and vote, that they may appoint proxies in writing to attend and vote at such meeting on their behalves and that such proxies need not be shareholders of the Company;</p>	<p><b>Article 78</b> The notice of a general meeting shall:</p> <p>(I) be made in writing;</p> <p>(II) specify the time, place and duration of the meeting;</p> <p>(III) set out the matters and motions submitted to the meeting for consideration;</p> <p>(IV) provide to the shareholders the information and explanations necessary to make informed decisions on the matters to be discussed, which include but not limited to, when the Company proposes a merger, buyback of shares, restructuring of share capital or other reorganization, the specific conditions and contract (if any) of the transaction contemplated and earnest explanation of the cause and effect of the transaction;</p> <p>(V) contain a disclosure of the nature and extent of the material interests, if any, of any director, supervisor, general manager or other senior management members in any matter to be discussed; and an explanation of the difference, if any, between the way in which the matter to be discussed would affect such director, supervisor, general manager or other senior management members in his/her capacity as a shareholder and the way in which such matter would affect other shareholders of the same class;</p> <p>(VI) contain the full text of any special resolution proposed to be approved at the meeting;</p> <p>(VII) contain conspicuously a statement that all shareholders are entitled to attend and vote, that they may appoint proxies in writing to attend and vote at such meeting on their behalves and that such proxies need not be shareholders of the Company;</p>

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<p>(VIII) state the time and place for serving the instrument of appointment for voting at the meeting;</p> <p>(IX) the date of record for the shareholders who are entitled to attend the meeting;</p> <p>(X) the name and contact information of the contact person for the meeting.</p>	<p>(VIII) state the time and place for serving the instrument of appointment for voting at the meeting;</p> <p>(IX) the date of record for the shareholders who are entitled to attend the meeting;</p> <p>(X) the name and contact information of the contact person for the meeting.</p> <p><b><u>The notice and the supplementary notice of the general meeting shall fully and completely disclose all the specific contents of all proposals. If the matters to be discussed require the opinions of independent directors, the opinions and reasons of independent directors will also be disclosed when the notice and supplementary notice of the general meeting is issued.</u></b></p>
-	<p><b><u>Article 79 If the general meeting intends to discuss the election of directors and supervisors, the notice of such general meeting will fully disclose the details of the candidates for directors and supervisors, which at least includes the following:</u></b></p> <p><b><u>(I) personal information such as educational background, work experience, and part-time jobs, etc.;</u></b></p> <p><b><u>(II) whether there is a related (connected) relationship with the Company or its controlling shareholders and actual controllers;</u></b></p> <p><b><u>(III) disclosure of the number of shares of the Company he/she held;</u></b></p> <p><b><u>(IV) whether he/she has been punished by the CSRC and other relevant departments and disciplined by the stock exchange.</u></b></p> <p><b><u>In addition to adopting a cumulative voting system to elect directors and supervisors, each candidate for directors and supervisors shall be proposed as a single proposal.</u></b></p>
-	<p><b><u>Article 89 The Company shall be responsible for preparing the meeting register of the attending persons. The meeting register shall contain the names (or names of the legal persons), ID card numbers, addresses of the residence, the number of shares held or represented with voting rights, the names of the principals (or names of the legal persons) and other matters.</u></b></p>

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-	<p><b>Article 90</b> <u>The convener and the lawyer hired by the Company shall jointly verify the legality of the shareholders’ qualifications based on the register of shareholders provided by the securities registration and settlement agency, and register the names of the shareholders and the number of shares held by them. The meeting registration shall be completed before the meeting host announces the number of shareholders and proxies present at the meeting and the total number of shares held with voting rights.</u></p>
<p><b>Article 90</b> The chairman of the meeting shall announce the number of shareholders and proxies present at the meeting and the total number of voting shares that they hold before a voting is held. The meeting registration shall prevail in respect of the number of shareholders and proxies present at the meeting and the total number of voting shares held by them.</p> <p>Minutes shall be kept of general meetings and the secretary to the board of directors shall be responsible therefor.</p>	<p><b>Article 96</b> The chairman of the meeting shall announce the number of shareholders and proxies present at the meeting and the total number of voting shares that they hold before a voting is held. The meeting registration shall prevail in respect of the number of shareholders and proxies present at the meeting and the total number of voting shares held by them.</p> <p>Minutes shall be kept of general meetings and the secretary to the board of directors shall be responsible therefor. <b><u>The meeting minutes shall make a record of the following:</u></b></p> <p><b>(I) <u>the time, venue, agenda and name of the convener of the meeting;</u></b></p> <p><b>(II) <u>the names of the chairman of the meeting and the directors, supervisors, presidents and other senior management who are present or attend the meeting;</u></b></p> <p><b>(III) <u>the number of shareholders and proxies present, the total number of shares with voting rights held by them and their proportion in the total number of the Company’s shares;</u></b></p> <p><b>(IV) <u>the consideration process, key points and voting results of each proposal;</u></b></p> <p><b>(V) <u>shareholders’ inquiries or suggestions and corresponding answers or explanations;</u></b></p> <p><b>(VI) <u>names of lawyers, ballot counters and scrutineers;</u></b></p> <p><b>(VII) <u>other contents that shall be included in the meeting minutes in accordance with the Articles of Association.</u></b></p>

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<p><b>Article 92</b> The convener shall ensure that the general meeting continues until the final resolution has been adopted. If a general meeting is suspended or if it is unable to reach a resolution due to force majeure or other such special reason, necessary measures shall be taken to resume the general meeting as soon as possible or the general meeting shall be directly adjourned and the same announced in a timely manner.</p>	<p><b>Article 98</b> The convener shall ensure that the general meeting continues until the final resolution has been adopted. If a general meeting is suspended or if it is unable to reach a resolution due to force majeure or other such special reason, necessary measures shall be taken to resume the general meeting as soon as possible or the general meeting shall be directly adjourned and the same announced in a timely manner. <b><u>At the same time, the convener shall report to the local CSRC office where the Company is located and the stock exchange.</u></b></p>
<p><b>Article 94</b> When a shareholder (or a proxy) exercises his/her voting rights based on the number of voting shares which he/she represents, each share shall entitle him/her to one vote.</p> <p>No voting rights shall attach to the Company shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a general meeting.</p>	<p><b>Article 100</b> When a shareholder (or a proxy) exercises his/her voting rights based on the number of voting shares which he/she represents, each share shall entitle him/her to one vote.</p> <p><b><u>When the general meeting considers major matters that affect the interests of minority investors, the votes of the minority investors shall be counted separately. The results of the separate counting of votes shall be disclosed publicly in a timely manner.</u></b></p> <p>No voting rights shall attach to the Company shares held by the Company, and such shares shall not be counted among the total number of voting shares present at a general meeting.</p> <p><b><u>The Company’s board of directors, independent directors and shareholders who meet the relevant regulations may publicly solicit shareholders’ voting rights. When soliciting shareholders’ voting rights, they shall fully disclose the specific voting intention and other information to the persons solicited. Consideration or de facto consideration for soliciting shareholders’ voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for soliciting voting rights.</u></b></p> <p><b><u>When the general meeting reviews matters in relation to related (connected) transactions, the related (connected) shareholders shall not participate in voting. The number of shares with voting rights as represented by such shareholders shall not be counted as part of the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the votes of non-related (unconnected) shareholders.</u></b></p>

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Where any shareholder is, under applicable laws and regulations and the listing rules of the stock exchange where the Company’s shares are listed, required to abstain from voting on any particular matter being considered or restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.	Where any shareholder is, under applicable laws and regulations and the listing rules of the stock exchange where the Company’s shares are listed, required to abstain from voting on any particular matter being considered or restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.
–	<b><u>Article 101 On the premise of ensuring the legality and effectiveness of the general meeting, the Company shall give priority to providing modern information technology means such as a network-based voting platform through various means and channels to facilitate the participation of shareholders in the general meeting.</u></b>
<b>Article 95</b> Votes at a general meeting shall be taken by a show of hands, unless otherwise provided in laws and regulations, or the regulations of the securities regulatory authority or the stock exchange of the place where shares of the Company are listed or unless a vote by ballot is demanded before or after any vote by show of hands by:	<b><u>Article 102 In addition to the resolutions on procedures or administrative matters of the general meeting as stipulated by the SEHK Listing Rules (which can be made by the chairman of the meeting on the principle of good faith and voted by show of hands), the general meeting shall apply the voting methods of disclosed ballot or other methods permitted by the securities regulatory rules of the places where the Company’s shares are listed.</u></b> <del>Votes at a general meeting shall be taken by a show of hands, unless otherwise provided in laws and regulations, or the regulations of the securities regulatory authority or the stock exchange of the place where shares of the Company are listed or unless a vote by ballot is demanded before or after any vote by show of hands by:</del>
(I) the chairman of the meeting;	<del>(I) the chairman of the meeting;</del>
(II) at least two shareholders with voting rights or proxies with voting rights;	<del>(II) at least two shareholders with voting rights or proxies with voting rights;</del>
(III) one or several shareholders (including proxies) holding, alone or together, at least 10 percent of the shares carrying the right to vote at the general meeting.	<del>(III) one or several shareholders (including proxies) holding, alone or together, at least 10 percent of the shares carrying the right to vote at the general meeting.</del>

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<p>Unless as otherwise required by the laws and regulations, the securities regulatory authority or the stock exchange where the shares of the Company are listed, or a vote is held by ballot in accordance with the preceding paragraph, the chairman of the meeting shall announce whether the motion has been carried in accordance with the results of the vote by show of hands, and shall record the same in the minutes of the meeting (without need to evidence the number of votes for or against the resolutions adopted at the meeting, or the percentages thereof), which shall be conclusive evidence.</p> <p>The demand for a vote by ballot may be withdrawn by the person who made it.</p>	<p><del>Unless as otherwise required by the laws and regulations, the securities regulatory authority or the stock exchange where the shares of the Company are listed, or a vote is held by ballot in accordance with the preceding paragraph, the chairman of the meeting shall announce whether the motion has been carried in accordance with the results of the vote by show of hands, and shall record the same in the minutes of the meeting (without need to evidence the number of votes for or against the resolutions adopted at the meeting, or the percentages thereof), which shall be conclusive evidence.</del></p> <p>The demand for a vote by ballot may be withdrawn by the person who made it.</p>
<p><b>Article 102</b> When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the way the unconnected shareholders voted.</p>	<p><b>Article 109</b> When the general meeting considers matters relating to a <u>related (connected)</u> transaction, the <u>related (connected)</u> shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the way the <u>non-related (unconnected)</u> shareholders voted.</p>
-	<p><b>Article 114</b> <u>Only one voting method among on-site, online and other methods can be selected for the same voting right. If there are repeated votes on the same voting right, the result of the first vote shall prevail.</u></p>
<p><b>Article 107</b> Votes at general meeting shall be cast by disclosed ballot.</p>	<p><del><b>Article 107</b> Votes at general meeting shall be cast by disclosed ballot.</del></p>
-	<p><b>Article 115</b> <u>Before voting at the general meeting, two shareholder representatives shall be nominated to participate in the vote counting and scrutiny. If the matter under consideration is of interest to shareholders, such shareholders and their proxies shall not participate in the counting and scrutiny of votes.</u></p> <p><u>When the general meeting votes on a proposal, the lawyer, shareholder representatives, supervisor representatives, H share registration agency or external accountants qualified as auditors shall jointly be responsible for counting and scrutinizing the votes, and announce the voting results on the spot. The voting results of the resolutions shall be recorded in the minutes of the meeting.</u></p> <p><u>Shareholders or their proxies who vote through the Internet or other means have the right to check their voting results through the corresponding voting system.</u></p>

Original Articles	Amended Articles of the Articles of Association (Draft)
-	<p><b>Article 116</b> <u>The end time of the on-site general meeting shall not be earlier than that of the meeting via the Internet or other means. The host of the meeting shall announce the voting status and results of each proposal and declare whether the proposal is approved or not based on the voting results.</u></p> <p><u>Before the official announcement of the voting results, all parties involved in the voting for the on-site general meeting and the meeting via the Internet or other means, such as the companies, the ballot counter, the scrutineer, the substantial shareholders and the network service providers, are obliged to keep the voting secret.</u></p>
-	<p><b>Article 117</b> <u>Shareholders present at the general meeting shall express one of the following opinions on the proposal submitted for voting: for, against or abstain, except for the securities registration and clearing agency, which, as the nominal holder of stocks under the trading interconnection mechanism between the mainland and the Hong Kong stock markets, make a choice in accordance with the actual holders' intention.</u></p> <p><u>Votes that are unfilled, filled incorrectly, with unrecognizable handwriting, and unvoted votes are considered as voters giving up their voting rights, and the voting results of the number of shares they hold should be counted as "abstain".</u></p> <p><u>The abstaining and giving up voting, when calculating the voting result, shall be treated as the number of votes with voting rights.</u></p>
-	<p><b>Article 119</b> <u>The resolutions of the meeting shall be announced in a timely manner, and such announcement shall specify the number of proxies present, the total number of shares with voting rights held and the proportion in the total number of shares with voting rights of the Company, the voting method, the voting results of each proposal and the details of the resolutions passed.</u></p>
-	<p><b>Article 120</b> <u>If the proposal is not approved, or the resolutions of the previous general meeting is altered at this general meeting, special notices shall be given in the announcement of the resolutions of the general meeting.</u></p>

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–	<b><u>Article 121</u></b> <b><u>If the general meeting approves the proposals for the election of directors and supervisors, the appointment of new directors and supervisors shall commence on the date of approval of the resolution at the general meeting or the appointment time determined by the general meeting.</u></b>
–	<b><u>Article 122</u></b> <b><u>If the general meeting approves the proposal regarding cash dividend, bonus share or conversion of capital reserve to share capital, the Company will implement the specific plan within 2 months after the conclusion of the general meeting.</u></b>
–	<p><b><u>Article 123</u></b> <b><u>The Company will hire a lawyer to issue legal opinions and announce on the following issues when convening the general meeting:</u></b></p> <p><b><u>(I) whether the convening and procedures of the meeting are in compliance with laws, administrative regulations and these Articles of Association;</u></b></p> <p><b><u>(II) whether the qualifications of the attendees and the convener are legal and valid;</u></b></p> <p><b><u>(III) whether the voting procedures and voting results of the meeting are legal and valid;</u></b></p> <p><b><u>(IV) legal opinions issued on other related issues at the request of the Company.</u></b></p>



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<p><b>Article 112</b> If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders’ meeting convened by the affected class shareholders in accordance with Articles 114 to 118.</p> <p>Neither the approval of the general meeting nor a class shareholders’ meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the laws by the domestic or foreign regulatory authorities.</p> <p>The transfer by the Company’s holder(s) of domestic investment shares of all or part of the shares held thereby to foreign investors for listing and trading overseas or the conversion of all or part of the domestic investment shares into overseas listed foreign investment shares for listing and trading on overseas stock exchange(s) shall not be deemed as the Company’s intention to vary or abrogate the rights of any class shareholders.</p>	<p><b>Article 127</b> If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders’ meeting convened by the affected class shareholders in accordance with Articles <del>114</del><u>129</u> to <del>118</del><u>133</u>.</p> <p>Neither the approval of the general meeting nor a class shareholders’ meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the laws by the domestic or foreign regulatory authorities.</p> <p>The transfer by the Company’s holder(s) of domestic investment shares of all or part of the shares held thereby to foreign investors for listing and trading overseas or the conversion of all or part of the domestic investment shares into overseas listed foreign investment shares for listing and trading on overseas stock exchange(s) shall not be deemed as the Company’s intention to vary or abrogate the rights of any class shareholders.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 114</b> Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall have right to vote at class shareholders' meetings in respect of any of the matters referred to in items (II) to (VIII) and items (XI) to (XII) of Article 113, except that interested shareholders shall not have the right to vote at class shareholders' meetings.</p> <p>For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meaning:</p> <p>(I) if the Company is to issue a buyback offer to all of the shareholders in the same proportion or is to buy back its own shares through open transactions on a stock exchange in accordance with Article 32 of these Articles of Association, the controlling shareholder as defined in Article 244 of these Articles of Association shall be an "interested shareholder";</p> <p>(II) if the Company is to buy back its own shares by agreements outside a stock exchange in accordance with Article 32 of these Articles of Association, holders of shares to which such agreements relate shall be "interested shareholders";</p> <p>(III) shareholders that, under a proposed restructuring scheme of the Company, would bear liabilities in a proportion smaller than that of the liabilities borne by other shareholders of the same class, and shareholders that have an interest in a proposed restructuring of the Company that is different from the interest in such proposed restructuring of other shareholders of the same class, shall be "interested shareholders".</p>	<p><b>Article 129</b> Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall have right to vote at class shareholders' meetings in respect of any of the matters referred to in items (II) to (VIII) and items (XI) to (XII) of Article <del>113</del><b>128</b>, except that interested shareholders shall not have the right to vote at class shareholders' meetings.</p> <p>For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meaning:</p> <p>(I) if the Company is to issue a buyback offer to all of the shareholders in the same proportion or is to buy back its own shares through open transactions on a stock exchange in accordance with Article 32 of these Articles of Association, the controlling shareholder as defined in Article <del>244</del><b>265</b> of these Articles of Association shall be an "interested shareholder";</p> <p>(II) if the Company is to buy back its own shares by agreements outside a stock exchange in accordance with Article 32 of these Articles of Association, holders of shares to which such agreements relate shall be "interested shareholders";</p> <p>(III) shareholders that, under a proposed restructuring scheme of the Company, would bear liabilities in a proportion smaller than that of the liabilities borne by other shareholders of the same class, and shareholders that have an interest in a proposed restructuring of the Company that is different from the interest in such proposed restructuring of other shareholders of the same class, shall be "interested shareholders".</p>
<p><b>Article 115</b> Resolutions of a class shareholders' meeting may be passed only by shareholders present at the meeting representing more than two-thirds of the voting rights in accordance with Article 114.</p>	<p><b>Article 130</b> Resolutions of a class shareholders' meeting may be passed only by shareholders present at the meeting representing more than two-thirds of the voting rights in accordance with Article <del>114</del><b>129</b>.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 120</b> Directors shall be elected at general meetings with a term of office of 3 years. Upon the expiry of the term of office, a director shall be eligible to offer himself/herself for re-election and re-appointment.</p> <p>Chairman of the board of directors shall be elected and removed by more than one-half of all directors. The term of office of the chairman of the board of directors shall be three years, renewable upon re-election. Directors are not required to hold shares of the Company.</p>	<p><b>Article 135</b> Directors shall be elected <u>or replaced</u> at general meetings, <u>and may be dismissed by the general meeting before the term expires</u> with a term of office of 3 years. Upon the expiry of the term of office <u>of 3 years</u>, a director shall be eligible to offer himself/herself for re-election and re-appointment.</p> <p>Chairman of the board of directors shall be elected and removed by more than one-half of all directors. The term of office of the chairman of the board of directors shall be three years, renewable upon re-election. Directors are not required to hold shares of the Company.</p> <p><u>The directors may be concurrently served by the general manager or other senior management members, but the total number of directors who concurrently hold the post of general manager or other senior management members shall not exceed half of the total number of directors.</u></p>
-	<p><b>Article 136</b> <u>If failing to attend in person for two consecutive times without entrusting other directors to attend board meetings, a director will be deemed to lack the ability to perform the duties, and the board of directors shall recommend the general meeting to remove such director.</u></p>

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Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 130</b> The board of directors shall be accountable to the general meetings and exercise the following functions and powers:</p> <p>(I) to convene general meetings and report its work to the general meetings;</p> <p>(II) to implement the resolutions of the general meetings;</p> <p>(III) to decide on the Company’s business plans and investment plans;</p> <p>(IV) to formulate the Company’s annual financial budgets and final accounts;</p> <p>(V) to formulate the Company’s profit distribution plan and the plan for making up losses;</p> <p>(VI) to formulate proposals for the increase or reduction of the Company’s registered capital and the issuance of shares, debentures or other securities and the listing project of the Company;</p> <p>(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change in corporate form of the Company;</p> <p>(VIII) within the scope authorized by the general meeting, to decide, among others, the Company’s external investment, purchase and sale of assets, assets mortgage, wealth management entrustment, bank credit and connected transactions;</p> <p>(IX) to decide on the provision of security for the third parties;</p>	<p><b>Article 146</b> The board of directors shall be accountable to the general meetings and exercise the following functions and powers:</p> <p>(I) to convene general meetings and report its work to the general meetings;</p> <p>(II) to implement the resolutions of the general meetings;</p> <p>(III) to decide on the Company’s business plans and investment plans;</p> <p>(IV) to formulate the Company’s annual financial budgets and final accounts;</p> <p>(V) to formulate the Company’s profit distribution plan and the plan for making up losses;</p> <p>(VI) to formulate proposals for the increase or reduction of the Company’s registered capital and the issuance of shares, debentures or other securities and the listing project of the Company;</p> <p>(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change in corporate form of the Company;</p> <p>(VIII) within the scope authorized by the general meeting, to decide, among others, the Company’s external investment, purchase and sale of assets, assets mortgage, wealth management entrustment, bank credit and <b><u>related (connected)</u></b> transactions;</p> <p>(IX) <del>to decide on the provision of security for the third parties</del> <b><u>to consider and approve the external guarantees provided by the Company that need not to be considered and approved by the general meeting under Article 64 of these Articles of Association;</u></b></p>

Original Articles	Amended Articles of the Articles of Association (Draft)
(X) to decide on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices;	(X) to decide on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices;
(XI) to engage or dismiss the Company's general manager and secretary to the board of directors; to engage or dismiss such senior management members such as deputy general manager, financial controller and etc., as proposed by the general manager, and decide on matters relating to their remuneration, rewards and punishments;	(XI) to engage or dismiss the Company's general manager and secretary to the board of directors; to engage or dismiss such senior management members such as deputy general manager, financial controller and etc., as proposed by the general manager, and decide on matters relating to their remuneration, rewards and punishments;
(XII) to formulate the basic management systems of the Company;	(XII) to formulate the basic management systems of the Company;
(XIII) to formulate proposals for amendments to these Articles of Association;	(XIII) to formulate proposals for amendments to these Articles of Association;
(XIV) to manage the information disclosure of the Company;	(XIV) to manage the information disclosure of the Company;
(XV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit services of annual financial statement to the Company;	(XV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit services of annual financial statement to the Company;
(XVI) to listen to the work reports of the Company's general manager and inspect his/her work;	(XVI) to listen to the work reports of the Company's general manager and inspect his/her work;
(XVII) to decide the establishment of special committees under the board of directors and their compositions;	(XVII) to decide the establishment of special committees under the board of directors and their compositions;

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<b>Original Articles</b>	<b>Amended Articles of the Articles of Association (Draft)</b>
<p>(XVIII) to consider matters in relation to the purchase of shares of the Company under the circumstances set out in items (III), (V) and (VI) of paragraph 1 of Article 32 of these Articles of Association;</p> <p>(XIX) to exercise other functions and powers stipulated by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, conferred by general meetings and these Articles of Association.</p> <p>Resolutions relating to the above paragraph, with the exception of items (VI), (VII), (XIII) and (XVIII) which shall be approved by at least two-thirds of the directors, shall be approved by at least half of the directors.</p> <p>Any reasonable expenses incurred by the board of directors in respect of the engagement of professionals such as lawyers, certified public accountants and certified auditors when exercising its functions and powers shall be borne by the Company.</p>	<p>(XVIII) to consider matters in relation to the purchase of shares of the Company under the circumstances set out in items (III), (V) and (VI) of paragraph 1 of Article 32 of these Articles of Association;</p> <p>(XIX) to exercise other functions and powers stipulated by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, conferred by general meetings and these Articles of Association.</p> <p>Resolutions relating to the above paragraph, with the exception of items (VI), (VII), (XIII) and (XVIII) which shall be approved by at least two-thirds of the directors, shall be approved by at least half of the directors <b><u>(however, item (IX) needs to be agreed by more than two-thirds of the directors present at the board meeting)</u></b>.</p> <p>Any reasonable expenses incurred by the board of directors in respect of the engagement of professionals such as lawyers, certified public accountants and certified auditors when exercising its functions and powers shall be borne by the Company.</p>

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Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 142</b> Votes at on-site meetings of the board of directors (including meetings held by video conference) shall be held by disclosed ballot. If a director attends an on-site meeting by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he/she says and communicate with him/her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the board of directors, votes may be held and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the directors in attendance, but a regular meeting of the board of directors, a meeting at which a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or jointly hold at least 10% of total voting shares of the Company) or a director has a conflict of interest in a matter to be considered which the board of directors has determined to be material and a meeting held to discuss the appointment and dismissal of the company secretary shall not be held by means of correspondence. A deadline shall be set for votes held by means of correspondence, and if a director fails to express his/her opinion by the specified deadline, he/she shall be deemed to abstain.</p> <p>For a motion considered and passed at a meeting of the board of directors and adopted as the corresponding resolution, more than half of all of the Company’s directors must cast an affirmative vote therefor. When the numbers of votes for and against are equal, the chairman of the board of directors is entitled to a cast one more vote. If laws or these Articles of Association require the consent of a larger number of directors for the adoption of a resolution, such provisions shall prevail.</p> <p>In the event of a conflict between the content and implication of different resolutions, the resolution adopted later shall prevail.</p>	<p><b>Article 158</b> Votes at on-site meetings of the board of directors (including meetings held by video conference) shall be held by disclosed ballot <u>or show of hands</u>. If a director attends an on-site meeting by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he/she says and communicate with him/her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the board of directors, votes may be held and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the directors in attendance, but a regular meeting of the board of directors, a meeting at which a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or jointly hold at least 10% of total voting shares of the Company) or a director has a conflict of interest in a matter to be considered which the board of directors has determined to be material and a meeting held to discuss the appointment and dismissal of the company secretary shall not be held by means of correspondence. A deadline shall be set for votes held by means of correspondence, and if a director fails to express his/her opinion by the specified deadline, he/she shall be deemed to abstain.</p> <p>For a motion considered and passed at a meeting of the board of directors and adopted as the corresponding resolution, more than half of all of the Company’s directors must cast an affirmative vote therefor. When the numbers of votes for and against are equal, the chairman of the board of directors is entitled to a cast one more vote. If laws or these Articles of Association require the consent of a larger number of directors for the adoption of a resolution, such provisions shall prevail.</p> <p>In the event of a conflict between the content and implication of different resolutions, the resolution adopted later shall prevail.</p>

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 143</b> If a director has a connected relationship with an enterprise involved in a matter on which a resolution is to be made at a meeting of the board of directors, he/she may not exercise his/her right to vote regarding such resolution, nor may he/she exercise the voting right of another director as such director's proxy thereon. Such a meeting of the board of directors may be held only if more than one-half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the board of directors shall require adoption by more than one-half of the directors without a connected relationship. If the meeting of the board of directors is attended by less than three directors without a connected relationship, the matter shall be submitted to the general meeting for consideration.</p> <p>The definition and scope of connected director are subject to relevant requirements of the securities regulatory authority and stock exchange of the place where the shares of the Company are listed.</p>	<p><b>Article 159</b> If a director has a <b>related</b> (connected) relationship with an enterprise involved in a matter on which a resolution is to be made at a meeting of the board of directors, he/she may not exercise his/her right to vote regarding such resolution, nor may he/she exercise the voting right of another director as such director's proxy thereon. Such a meeting of the board of directors may be held only if more than one-half of the directors without a <b>related</b> (connected) relationship are present, and the resolutions made at such a meeting of the board of directors shall require adoption by more than one-half of the directors without a <b>related</b> (connected) relationship. If the meeting of the board of directors is attended by less than three directors without a <b>related</b> (connected) relationship, the matter shall be submitted to the general meeting for consideration.</p> <p>The definition and scope of <b>related</b> (connected) director are subject to relevant requirements of the securities regulatory authority and stock exchange of the place where the shares of the Company are listed.</p>
<p><b>Article 147</b> Where necessary, the board of directors may establish relevant special committees such as the nomination committee, audit committee and remuneration and appraisal committee to provide advice and suggestions for the material decisions of the board of directors and the exercise of duties by the chairman of the board of directors within the scope of authorization of the board of directors. The board of directors shall formulate separate terms of reference for each of the special committees of the board of directors to determine the composition, duties and procedures of meetings of such special committees.</p>	<p><b>Article 163</b> Where necessary, the board of directors may establish relevant special committees such as the nomination committee, audit committee, <b>strategy committee</b> and remuneration and appraisal committee <del>to provide advice and suggestions for the material decisions of the board of directors and the exercise of duties by the chairman of the board of directors within the scope of authorization of the board of directors.</del> The board of directors shall formulate separate terms of reference for each of the special committees of the board of directors to determine the composition, duties and procedures of meetings of such special committees. <b><u>Such special committees are responsible to the board of directors and perform their duties in accordance with these Articles of Association and the authorization from the board of directors, and their proposals shall be submitted to the board of directors for deliberation and decision. All the special committees shall be composed of directors. Among them, independent directors shall comprise a majority of the audit committee, nomination committee and remuneration and appraisal committee and act as conveners, and the convener of the audit committee shall be an accounting professional. The board of directors is responsible for formulating the working rules of special committees to regulate the operation of special committees.</u></b></p>



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Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 152</b> Persons who hold any position other than that of director with the Company’s controlling shareholder or actual controller may not serve as senior management members of the Company.</p>	<p><b>Article 168</b> Persons who hold any position other than that of director <b>or supervisor</b> with the Company’s controlling shareholder <del>or actual controller</del> may not serve as senior management members of the Company.</p>
<p><b>Article 165</b> A supervisor may not use his/her connected relationships to harm the interests of the Company and shall be liable for damages if the Company suffers loss as a result thereof.</p>	<p><b>Article 181</b> A supervisor may not use his/her <b>related</b> (connected) relationships to harm the interests of the Company and shall be liable for damages if the Company suffers loss as a result thereof.</p>
<p><b>Article 173</b> The minutes of meetings of the supervisory committee, together with the meeting notice, meeting materials, meeting sign-in register, the instruments of appointment of supervisor proxies, the sound recording of the meeting and the vote ballots shall serve as the Company’s files and be kept by the office of the supervisory committee for a period of not less than ten years.</p>	<p><b>Article 189</b> The minutes of meetings of the supervisory committee, together with the meeting notice, meeting materials, meeting sign-in register, the instruments of appointment of supervisor proxies, the sound recording of the meeting and the vote ballots shall serve as the Company’s files and be kept <del>by the office of the supervisory committee</del> for a period of not less than ten years.</p>
<p><b>Article 183</b> If a director, supervisor, general manager or other senior management member of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement concluded or planned by the Company (excluding his/her engagement contract with the Company), he/she shall disclose the nature and extent of his/her interest to the board of directors at the earliest opportunity, whether or not the matter is normally subject to the approval or consent of the board of directors.</p> <p>If a director has a connected relationship (meaning that he/she serves as director or senior management member in the transaction counterparty, or directly or indirectly controls an entity with legal personality of the transaction counterparty, or serves as director or senior management member in an entity with legal personality that is directly or indirectly controlled by the transaction counterparty) with an enterprise involved in a matter on which a resolution is to be made at a meeting of the board of directors, he/she may not exercise his/her voting rights regarding such resolution, nor may he/she exercise voting rights thereon as the proxy of another director. Such a meeting of the board of directors may be held if more than one-half of the directors without a connected relationship are present (directors with a connected relationship shall abstain from attending), and the resolutions made at such a meeting of the board of directors shall require adoption by more than one-half of the directors without a connected relationship.</p>	<p><b>Article 199</b> If a director, supervisor, general manager or other senior management member of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement concluded or planned by the Company (excluding his/her engagement contract with the Company), he/she shall disclose the nature and extent of his/her interest to the board of directors at the earliest opportunity, whether or not the matter is normally subject to the approval or consent of the board of directors.</p> <p>If a director has a <b>related</b> (connected) relationship (meaning that he/she serves as director or senior management member in the transaction counterparty, or directly or indirectly controls an entity with legal personality of the transaction counterparty, or serves as director or senior management member in an entity with legal personality that is directly or indirectly controlled by the transaction counterparty) with an enterprise involved in a matter on which a resolution is to be made at a meeting of the board of directors, he/she may not exercise his/her voting rights regarding such resolution, nor may he/she exercise voting rights thereon as the proxy of another director. Such a meeting of the board of directors may be held if more than one-half of the directors without a <b>related</b> (connected) relationship are present (directors with a connected relationship shall abstain from attending), and the resolutions made at such a meeting of the board of directors shall require adoption by more than one-half of the directors without a <b>related</b> (connected) relationship.</p>

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<p>A director may not vote on any contract, transaction or arrangement in which he/she or any person closely connected to him/her (as defined in the securities listing rules which are valid from time to time) has a material interest and which is to be approved by the board of directors or any other proposals related thereto. Additionally, he/she may not be counted in the quorum for the meeting. Unless the interested director, supervisor, general manager or other senior management member of the Company has disclosed such interest to the board of directors as required under the first paragraph hereof and the matter has been approved by the board of directors at a meeting in which he/she was not counted in the quorum and had refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, unless the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager or other senior management member concerned.</p> <p>A director, supervisor, general manager or other senior management member of the Company shall be deemed to be interested in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, general manager or other senior management member is interested.</p>	<p>A director may not vote on any contract, transaction or arrangement in which he/she or any person closely connected to him/her (as defined in the securities listing rules which are valid from time to time) has a material interest and which is to be approved by the board of directors or any other proposals related thereto. Additionally, he/she may not be counted in the quorum for the meeting. Unless the interested director, supervisor, general manager or other senior management member of the Company has disclosed such interest to the board of directors as required under the first paragraph hereof and the matter has been approved by the board of directors at a meeting in which he/she was not counted in the quorum and had refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, unless the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager or other senior management member concerned.</p> <p>A director, supervisor, general manager or other senior management member of the Company shall be deemed to be interested in any contract, transaction or arrangement in which a Connected Person of that director, supervisor, general manager or other senior management member is interested.</p>
<p><b>Article 188</b> A loan guarantee provided by the Company in breach of the first paragraph of Article 186 shall be unenforceable against the Company, unless:</p> <p>(I) the loan was provided to a Connected Person of a director, supervisor, general manager or other senior management member of the Company or of its parent company, and at the time the loan was advanced the lender did not know the relevant circumstances;</p> <p>(II) the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.</p>	<p><b>Article 204</b> A loan guarantee provided by the Company in breach of the first paragraph of Article <del>186</del><b>202</b> shall be unenforceable against the Company, unless:</p> <p>(I) the loan was provided to a Connected Person of a director, supervisor, general manager or other senior management member of the Company or of its parent company, and at the time the loan was advanced the lender did not know the relevant circumstances;</p> <p>(II) the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.</p>

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<p><b>Article 195</b> The Company shall publish financial reports twice every fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year.</p>	<p><b>Article 211</b> <del>The Company shall publish financial reports twice every fiscal year, namely an interim financial report within 60 days after the end of the first six months of the fiscal year and an annual financial report within 120 days after the end of the fiscal year.</del> <u>The Company shall submit an annual financial and accounting report to the securities regulatory authority of the State Council and the stock exchanges within 4 months from the end of each financial year, submit an interim financial and accounting report to the securities regulatory agency of the State Council and the stock exchanges within 2 months from the end of the first six months of each financial year, and submit a quarterly financial and accounting report to the securities regulatory agency of the State Council and the stock exchanges within 1 month from the end of the first 3 months and the first 9 months of each financial year. The above financial and accounting reports are prepared in accordance with the relevant laws and regulations and departmental rules, and are published in accordance with the relevant regulations of the securities regulatory authority where the Company’s shares are listed.</u></p> <p><u>Other regulations of the securities regulatory agency where the Company’s shares are listed shall also be followed.</u></p>
<p>–</p>	<p><b>Article 220</b> <u>The basic principles for the Company’s profit distribution policy are as follows:</u></p> <p><u>(I) the Company shall fully consider the returns to investors;</u></p> <p><u>(II) the Company’s profit distribution policy shall maintain continuity and stability, while taking into account the Company’s long-term interests, the interests of all shareholders as a whole and the Company’s sustainable development;</u></p> <p><u>(III) the Company shall preferentially adopt the cash dividend method for the profit distribution.</u></p>

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<p><b>Article 204</b> The Company may distribute dividends in either of the following manners (or both of them):</p> <p>(I) cash;</p> <p>(II) share certificates.</p>	<p><b>Article 221</b> <del>The Company may distribute dividends in either of the following manners (or both of them):</del></p> <p><del>(I) cash;</del></p> <p><del>(II) share certificates.</del> <b><u>The specific policies on the Company's profit distribution are as follows:</u></b></p> <p><b><u>(I) the form of profit distribution: The Company may distribute dividends in cash, in combination with cash and shares or in other legal ways. The profits to be distributed shall not exceed the accumulated distributable profits, and shall not damage the Company's ability to continue to operate;</u></b></p> <p><b><u>(II) time interval of profit distribution: The Company implements a continuous and stable profit distribution policy, and in principle makes profit distribution once a year. Under certain circumstances, the Company may make an interim profit distribution;</u></b></p> <p><b><u>(III) the specific conditions and proportion of the Company's cash dividend:</u></b></p> <p><b><u>In the event that the Company's distributable profits (being the net profits after deducting for making up for losses and setting aside for provident funds) realized in the year or half a year are positive, the Company's capital needs of normal production and operation have been met and the full amount of statutory provident funds has been reserved without such special circumstances as major investment plans or major cash expenditures, the Company shall distribute dividends in cash, and the profits distributed in cash shall not be less than 10% of the distributable profits realized in that year.</u></b></p>

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	<p><u>The Company’s board of directors should distinguish the following situations by comprehensively considering the characteristics of the industry where it operates, development stage, own business model, profitability and whether there are arrangements of major capital expenditure, and formulate differentiated cash dividend policies:</u></p> <p><u>(1) if the Company is in a mature development stage and there are no major arrangements of capital expenditure, the cash dividend should account for a minimum of 80% of the profit distribution;</u></p> <p><u>(2) if the Company is in a mature development stage and there are major arrangements of capital expenditure, the cash dividend should account for a minimum of 40% of the profit distribution;</u></p> <p><u>(3) if the Company is in a growth development stage and there are major arrangements of capital expenditure, the cash dividend should account for a minimum of 20% of the profit distribution;</u></p> <p><u>If it is of difficulty to distinguish the development stage of the Company but there are major arrangements of capital expenditure, it may be handled in accordance with the provisions of the preceding item.</u></p> <p><u>(IV) specific conditions for the Company to issue stock dividends</u></p> <p><u>In the event that the Company’s business is in good condition and the board of directors believes that the Company is growing, the dilution of net assets per share and the price of shares do not match the size of the Company’s share capital, and the issuance of stock dividends is beneficial to the interests of all shareholders of the Company as a whole, the Company may propose a stock dividend distribution plan while satisfying the above cash dividend conditions.</u></p>

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THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
-	<p><b>Article 222    <u>The procedures for reviewing the Company’s profit distribution plans are as follows:</u></b></p> <p><b>(I)    <u>the Company’s annual profit distribution plan is proposed and formulated by the board of directors in accordance with the provisions of the Articles of Association, profitability, capital supply and demand, subject to opinions expressed by independent directors, and shall be submitted to the general meeting for approval after deliberation and approval by the board of directors. Independent directors may propose dividend proposals by soliciting the opinions of minority shareholders and submit directly to the board of directors for consideration.</u></b></p> <p><b>(II)    <u>when the general meeting considers the profit distribution plan, the Company shall provide shareholders with an online voting method or the way in which the board of directors, independent directors and shareholders who meet the relevant requirements solicit the shareholders’ voting rights, especially the minority shareholders in a period from the shareholder registration date of the general meeting to the period of the general meeting to vote on the profit distribution plan.</u></b></p> <p><b>(III)    <u>subject to the cash dividend conditions stipulated in the Articles of Association, when the Company has significant investment opportunities, good investment prospects and major capital needs and decides to suspend the cash dividend plan temporarily, the board of directors should make specific explanations on the reasons for not paying cash dividends, the use and plan of funds not used for dividends and other matters and disclose in the periodic report, which is subject to opinions expressed by independent directors and shall be submitted to the general meeting for consideration and then disclosed on the Company’s designated media.</u></b></p>

Original Articles	Amended Articles of the Articles of Association (Draft)
	<p><b>(IV) <u>any necessary adjustments or changes to the cash dividend policy as stipulated in the Articles of Association shall be for the purpose of protecting shareholders' rights and interests, and the board of directors shall fully discuss the rationality of adjusting or changing the profit distribution plan, and submit a special resolution to the general meeting for consideration. The resolution shall be passed only if more than two-thirds of the voting rights held by shareholders present at the general meeting vote for it.</u></b></p>
-	<p><b>Article 223 <u>The Company may adjust the profit distribution policy when the following situations occur:</u></b></p> <p><b>(I) <u>in the case of force majeure such as war or natural disaster;</u></b></p> <p><b>(II) <u>major changes in national laws, regulations and industry policies which would have a significant adverse impact on the Company's production and operation, resulting in the Company's operating losses;</u></b></p> <p><b>(III) <u>the ratio of net cash flow generated by the Company's operating activities to net profit is less than 20% for three consecutive fiscal years due to major changes in the external operating environment or its own operating conditions;</u></b></p> <p><b>(IV) <u>the profit distribution policy needs to be adjusted due to major changes in the Company's own operating conditions;</u></b></p> <p><b>(V) <u>it is necessary to adjust the Company's profit distribution policy from the perspective of protecting shareholders' rights or maintaining the Company's normal and sustainable development.</u></b></p>
-	<p><b>Article 234 <u>The Company must ensure that the employed accounting firm is provided with true and complete accounting documents, accounting books, financial and accounting reports and other accounting materials without any refused, hidden or misrepresented statement.</u></b></p>
-	<p><b>Article 255 <u>If the Company is declared bankrupt according to law, the bankruptcy liquidation shall be carried out in accordance with the laws on bankruptcy.</u></b></p>

**APPENDIX VII                      COMPARISON TABLE OF AMENDMENTS TO  
THE ARTICLES OF ASSOCIATION**

Original Articles	Amended Articles of the Articles of Association (Draft)
<p><b>Article 239</b> For a Company notice given by hand, the person on whom it is served shall sign on (or affix his or her seal to) the note of receipt, and the date on which he/she signed in receipt shall be the date of service;</p> <p>For a company notice given by mail, the date of service shall be 48 hours from the date of consignment to the post office;</p> <p>For a company notice given by fax, e-mail or publication on a website, the date on which such notice is despatched shall be the date of service;</p> <p>For a company notice given by way of a public announcement, the first day of publication shall be the date of service. Such announcement shall be published in a newspaper or periodical that satisfies relevant regulations or given by the method set forth in Article 238 of these Articles of Association.</p>	<p><b>Article 260</b> For a Company notice given by hand, the person on whom it is served shall sign on (or affix his or her seal to) the note of receipt, and the date on which he/she signed in receipt shall be the date of service;</p> <p>For a company notice given by mail, the date of service shall be 48 hours from the date of consignment to the post office;</p> <p>For a company notice given by fax, e-mail or publication on a website, the date on which such notice is despatched shall be the date of service;</p> <p>For a company notice given by way of a public announcement, the first day of publication shall be the date of service. Such announcement shall be published in a newspaper or periodical that satisfies relevant regulations or given by the method set forth in Article <del>238</del><b>259</b> of these Articles of Association.</p>
<p><b>Article 244</b> Unless otherwise required by the context, the following terms used in these Articles of Association shall have the meanings assigned to them below:</p> <p>(I) “controlling shareholder” means a person that satisfies any of the following conditions:</p> <ol style="list-style-type: none"> <li>1. he/she, acting alone or in concert with others, has the power to elect at least one-half of the directors;</li> <li>2. he/she, acting alone or in concert with others, has the power to exercise or to control the exercise of at least 30 percent of the Company’s voting rights;</li> </ol>	<p><b>Article 265</b> Unless otherwise required by the context, the following terms used in these Articles of Association shall have the meanings assigned to them below:</p> <p>(I) “controlling shareholder” means a person that satisfies any of the following conditions:</p> <ol style="list-style-type: none"> <li>1. he/she, acting alone or in concert with others, has the power to elect at least one-half of the directors;</li> <li>2. he/she, acting alone or in concert with others, has the power to exercise or to control the exercise of at least 30 percent of the Company’s voting rights;</li> </ol>



Original Articles	Amended Articles of the Articles of Association (Draft)
3. he/she, acting alone or in concert with others, holds at least 30 percent of the outstanding shares of the Company;	3. he/she, acting alone or in concert with others, holds at least 30 percent of the outstanding shares of the Company;
4. he/she, acting alone or in concert with others, actually controls the Company in any other manner.	4. he/she, acting alone or in concert with others, actually controls the Company in any other manner.
(II) “acting in concert” means action taken by two or more persons pursuant to an agreement (whether oral or written) to obtain or consolidate control of the Company through the acquisition by any of them of voting rights of the Company.	(II) “acting in concert” means action taken by two or more persons pursuant to an agreement (whether oral or written) to obtain or consolidate control of the Company through the acquisition by any of them of voting rights of the Company.
(III) “actual controller” means a person who, although not a shareholder of the Company, is nevertheless able to actually direct the acts of the Company by virtue of an investment relationship, agreement or other arrangement.	(III) “actual controller” means a person who, although not a shareholder of the Company, is nevertheless able to actually direct the acts of the Company by virtue of an investment relationship, agreement or other arrangement.
(IV) “connected relationship” means the relationship between the Company’s controlling shareholder, actual controller, a director, a supervisor or senior management member (including the associates of the above parties as defined in the SEHK Listing Rules) on the one hand and an enterprise he/she directly or indirectly controls on the other hand, as well as any other relationship that may result in a diversion of the Company’s interests; however, enterprises controlled by the state shall not be deemed to have a connected relationship merely by virtue of the fact that such enterprises are under the common control of the state.	(IV) “ <b>related</b> (connected) relationship” means the relationship between the Company’s controlling shareholder, actual controller, a director, a supervisor or senior management member (including the associates of the above parties as defined in the SEHK Listing Rules <b>and ChiNext Listing Rules</b> ) on the one hand and an enterprise he/she directly or indirectly controls on the other hand, as well as any other relationship that may result in a diversion of the Company’s interests; however, enterprises controlled by the state shall not be deemed to have a <b>related</b> (connected) relationship merely by virtue of the fact that such enterprises are under the common control of the state.

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p><b>Article 1</b> For the purpose of protecting the legitimate rights and interests of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and its shareholders, clarifying duties and authority of the general meeting and ensuring the standardised, efficient and stable operation as well as the exercise of functions and powers of the general meeting in compliance with laws, the Company develops these Rules in accordance with the Company Law of the People’s Republic of China (“Company Law”), the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other laws and laws of places where shares of the Company are listed and taking account into the Company’s actual situation.</p>	<p><b>Article 1</b> For the purpose of protecting the legitimate rights and interests of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and its shareholders, clarifying duties and authority of the general meeting and ensuring the standardised, efficient and stable operation as well as the exercise of functions and powers of the general meeting in compliance with laws, the Company develops these Rules in accordance with the Company Law of the People’s Republic of China (“Company Law”), the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “<b>SEHK Listing Rules</b>”), <b><u>the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “ChiNext Listing Rules”)</u></b>, the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other laws and laws of places where shares of the Company are listed and taking account into the Company’s actual situation.</p>
<p><b>Article 3</b> The general meeting, which is composed of all shareholders of the Company, exercises various functions and powers prescribed by laws, the Listing Rules and the Articles of Association according to laws, and no unit or individual may illegally interfere with the shareholders’ disposition of their rights.</p>	<p><b>Article 3</b> The general meeting, which is composed of all shareholders of the Company, exercises various functions and powers prescribed by laws, the <b>SEHK Listing Rules</b>, <b><u>the ChiNext Listing Rules</u></b> and the Articles of Association according to laws, and no unit or individual may illegally interfere with the shareholders’ disposition of their rights.</p>
<p><b>Article 5</b> The board of directors of the Company shall strictly abide by various requirements of the Company Law and other relevant laws, the Listing Rules, the Articles of Association and these Rules on the convening of the general meetings, and organize the general meetings in an earnest and timely manner. All directors of the Company shall be diligent and responsible to ensure the normal convening of the general meeting and exercise their functions and powers in accordance with laws.</p>	<p><b>Article 5</b> The board of directors of the Company shall strictly abide by various requirements of the Company Law and other relevant laws, the <b>SEHK Listing Rules</b>, <b><u>the ChiNext Listing Rules</u></b>, the Articles of Association and these Rules on the convening of the general meetings, and organize the general meetings in an earnest and timely manner. All directors of the Company shall be diligent and responsible to ensure the normal convening of the general meeting and exercise their functions and powers in accordance with laws.</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p><b>Article 8</b> The general meeting shall be the organ of authority of the Company and shall exercise the following functions and powers in accordance with the laws:</p> <p>(I) to decide on the business policies and investment plans of the Company;</p> <p>(II) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to their remuneration;</p> <p>(III) to consider and approve reports of the board of directors;</p> <p>(IV) to consider and approve reports of the supervisory committee;</p> <p>(V) to consider and approve the Company's annual financial budgets and final accounts;</p> <p>(VI) to consider and approve the Company's profit distribution plans and plans for making up losses;</p> <p>(VII) to pass resolutions concerning the increase or reduction of the Company's registered capital;</p> <p>(VIII) to pass resolutions on the issuance of corporate bonds;</p> <p>(IX) to pass resolutions on the merger, division, dissolution, liquidation or change in the corporate form of the Company;</p> <p>(X) to prepare and amend the Articles of Association;</p>	<p><b>Article 8</b> The general meeting shall be the organ of authority of the Company and shall exercise the following functions and powers in accordance with the laws:</p> <p>(I) to decide on the business policies and investment plans of the Company;</p> <p>(II) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to their remuneration;</p> <p>(III) to consider and approve reports of the board of directors;</p> <p>(IV) to consider and approve reports of the supervisory committee;</p> <p>(V) to consider and approve the Company's annual financial budgets and final accounts;</p> <p>(VI) to consider and approve the Company's profit distribution plans and plans for making up losses;</p> <p>(VII) to pass resolutions concerning the increase or reduction of the Company's registered capital;</p> <p>(VIII) to pass resolutions on the issuance of corporate bonds;</p> <p>(IX) to pass resolutions on the merger, division, dissolution, liquidation or change in the corporate form of the Company;</p> <p>(X) to prepare and amend the Articles of Association;</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
(XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;	(XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;
(XII) to consider motions raised by shareholders individually or collectively holding at least 3 percent of the Company's shares with voting rights;	(XII) to consider motions raised by shareholders individually or collectively holding at least 3 percent of the Company's shares with voting rights;
(XIII) to consider and approve matters relating to the purchase or disposal of material assets by the Company within one year in an amount representing more than 30 percent of the Company's latest audited total assets;	(XIII) to consider and approve matters relating to the purchase or disposal of material assets by the Company within one year in an amount representing more than 30 percent of the Company's latest audited total assets;
	<p data-bbox="801 895 1401 1038"><b><u>(XIV) to consider and approve the transactions that meet the following standards (except for provision of guarantees and financial assistances):</u></b></p> <ol data-bbox="877 1081 1401 1944" style="list-style-type: none"> <li data-bbox="877 1081 1401 1300">1. <b><u>the total assets involved in the transaction (if both the book value and the evaluation value exist, the higher will prevail) account for more than 50% of the listed company's latest audited total assets;</u></b></li> <li data-bbox="877 1342 1401 1640">2. <b><u>the operating income of the transaction subject (such as equity) in the latest financial year accounts for more than 50% of the listed company's audited operating income in the latest financial year with an absolute amount of over RMB50 million;</u></b></li> <li data-bbox="877 1683 1401 1944">3. <b><u>the net profit of the transaction subject (such as equity) in the latest financial year accounts for more than 50% of the listed company's audited net profit in the latest financial year with an absolute amount of over RMB5 million;</u></b></li> </ol>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
	<p data-bbox="879 336 1401 555"><b><u>4. the transaction amount (including debts and expenses assumed) accounts for more than 50% of the listed company's audited net assets in the latest period with an absolute amount of over RMB50 million;</u></b></p> <p data-bbox="879 602 1401 821"><b><u>5. The profit from the transaction accounts for more than 50% of the listed company's audited net profit in the latest financial year with an absolute amount of over RMB5 million.</u></b></p> <p data-bbox="879 868 1401 1002"><b><u>If the figures involved in the calculation of the above indicators are negative, the absolute value of such figures will be taken.</u></b></p> <p data-bbox="804 1049 1401 1119"><b><u>(XV) to consider and approve the following external guarantees:</u></b></p> <p data-bbox="879 1166 1401 1300"><b><u>1. any guarantee with a single guaranteed amount in excessive of 10% of the Company's latest audited net assets;</u></b></p> <p data-bbox="879 1347 1401 1530"><b><u>2. any guarantee provided after the total amount of external guarantees provided by the Company and its subsidiaries exceeds 50% of the Company's latest audited net assets;</u></b></p> <p data-bbox="879 1576 1401 1683"><b><u>3. guarantees provided to guaranteed objects whose asset-liability ratio exceeds 70%;</u></b></p> <p data-bbox="879 1730 1401 1944"><b><u>4. guarantees of which the guaranteed amount in the twelve consecutive months exceeds 50% of the Company's latest audited net assets and the absolute amount exceeds RMB50 million;</u></b></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
	<p data-bbox="879 336 1390 512"><u>5. guarantees of which the guaranteed amount in the twelve consecutive months exceeds 30 % of the Company's latest audited total assets;</u></p> <p data-bbox="879 566 1390 661"><u>6. guarantees provided to shareholders, actual controllers and their related (connected) persons;</u></p> <p data-bbox="879 715 1390 853"><u>7. other guarantees as specified by the Articles of Association, the SEHK Listing Rules and the ChiNext Listing Rules.</u></p> <p data-bbox="879 906 1390 1076"><u>Guarantees mentioned in item 5 above shall be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting.</u></p> <p data-bbox="879 1129 1390 1525"><u>If the Company provides guarantees for a wholly-owned subsidiary or guarantees for a controlling subsidiary and other shareholders of such controlling subsidiary would provide guarantees in proportion to their rights and interests, and such guarantees fall within the scope of items 1 to 4 above, they can be exempted from being submitted to the general meeting for consideration, except as otherwise stipulated in the Articles of Association.</u></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p>(XIV) to consider and approve equity incentive plans;</p> <p>(XV) to consider and approve connected transactions required to be approved by the general meeting;</p>	<p><b><u>(XVI) To consider the following financial assistances:</u></b></p> <ol style="list-style-type: none"> <li><b><u>1. any financial assistance provided to the target whose latest audited asset-liability ratio exceeds 70%;</u></b></li> <li><b><u>2. the amount of a single financial assistance or aggregate amount of financial assistances provided in twelve consecutive months exceeds 10% of the latest audited net assets of the Company;</u></b></li> <li><b><u>3. other financial assistances as specified by the stock exchanges of the places where the Company is listed or the Articles of Association.</u></b></li> </ol> <p><b><u>If the Company is principally engaged in financing business such as provision of external borrowings or loans, or if the target of financial assistance is included in the consolidated financial statements of the Company and is a controlling subsidiary owned as to over 50% by the Company, such financial assistance shall be exempted from the above provisions.</u></b></p> <p><del>(XIV)</del> to consider and approve equity incentive plans;</p> <p><del>(XV)</del> to consider and approve <b>related</b> (connected) transactions required to be approved by the general meeting;</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
(XVI) to consider other matters that required to be resolved by the general meeting as prescribed by laws, administrative regulations, departmental rules, regulatory documents and relevant regulations of the securities regulatory authorities of the places where Company shares are listed and the Articles of Association.	<del>(XVI)</del> to consider other matters that required to be resolved by the general meeting as prescribed by laws, administrative regulations, departmental rules, regulatory documents and relevant regulations of the securities regulatory authorities of the places where Company shares are listed and the Articles of Association.
<p><b>Article 11</b> The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:</p> <p>(I) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;</p> <p>(II) the losses of the Company that have not been made up reach one-third of its total paid share capital;</p> <p>(III) when requested in writing by shareholders individually or collectively holding at least 10 percent of the Company's shares (the number of shares held by the shareholders shall be counted based on the date of the written request);</p> <p>(IV) when the board of directors considers necessary;</p> <p>(V) when the supervisory committee proposes to convene such meeting;</p> <p>(VI) when at least half of all independent non-executive directors agree to propose to convene such meeting;</p> <p>(VII) other circumstances as specified by laws and the Articles of Association.</p>	<p><b>Article 11</b> The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:</p> <p>(I) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number prescribed in the Articles of Association;</p> <p>(II) the losses of the Company that have not been made up reach one-third of its total paid share capital;</p> <p>(III) when requested in writing by shareholders individually or collectively holding at least 10 percent of the Company's shares (the number of shares held by the shareholders shall be counted based on the date of the written request);</p> <p>(IV) when the board of directors considers necessary;</p> <p>(V) when the supervisory committee proposes to convene such meeting;</p> <p>(VI) when at least half of all independent non-executive directors agree to propose to convene such meeting;</p> <p>(VII) other circumstances as specified by laws and the Articles of Association.</p>



Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
	<p><u>If the Company is unable to convene a general meeting within the above-mentioned period, it shall report to the local office of Securities Regulatory Commission of the State Council and the stock exchanges, and shall provide the reasons and announce thereof.</u></p> <p><u>Those shareholders who hold different classes of shares are class shareholders. Except for other classes of shareholders, holders of domestic shares and those of H shares are deemed to be shareholders of different classes. To vary or abrogate the rights of the class shareholders, the Company must approve it by a special resolution in a general meeting in accordance with the Articles of Association and convene class meetings for approval. Only class shareholders may attend class meetings.</u></p>
-	<p><u>Article 12 The Company shall engage a lawyer to issue legal opinions and announce on the following issues when convening the general meeting:</u></p> <p><u>(I) whether the convening and procedures of the meeting are in compliance with laws, administrative regulations, these Rules and these Articles of Association;</u></p> <p><u>(II) whether the qualifications of the attendees and the convener's qualifications are legal and valid;</u></p> <p><u>(III) whether the voting procedures and voting results of the meeting are legal and valid;</u></p> <p><u>(IV) legal opinions issued on other related issues at the request of the Company.</u></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p><b>Article 15</b> Shareholders who individually or collectively hold more than 10% of the Company’s shares shall have the right to request the board of directors in writing to convene an extraordinary general meeting. The board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, submit written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the request.</p> <p>If the board of directors agrees to convene an extraordinary general meeting, it shall issue a notice convening such meeting within 5 days after the resolutions are made. Any changes to the original request set out in the notice shall be approved by relevant shareholders.</p> <p>If the board of directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company’s shares have the right to propose to the supervisory committee to convene an extraordinary general meeting, and shall submit a request to the supervisory committee in writing.</p> <p>If the supervisory committee agrees to convene an extraordinary general meeting, it will issue a notice of convening a general meeting within 5 days after receiving the request. Any changes to the original request set out in the notice shall be approved by relevant shareholders.</p> <p>If the supervisory committee fails to issue a notice of convening a general meeting within the prescribed time limit, the supervisory committee shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than 10% of the Company’s shares for more than 90 consecutive days may convene and preside over themselves.</p>	<p><b>Article 16</b> Shareholders who individually or collectively hold more than 10% of the Company’s shares shall have the right to request the board of directors in writing to convene an extraordinary general meeting. The board of directors shall, in accordance with laws, administrative regulations and the Articles of Association, submit written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the request.</p> <p>If the board of directors agrees to convene an extraordinary general meeting, it shall issue a notice convening such meeting within 5 days after the resolutions are made. Any changes to the original request set out in the notice shall be approved by relevant shareholders.</p> <p>If the board of directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company’s shares have the right to propose to the supervisory committee to convene an extraordinary general meeting, and shall submit a request to the supervisory committee in writing.</p> <p>If the supervisory committee agrees to convene an extraordinary general meeting, it will issue a notice of convening a general meeting within 5 days after receiving the request. Any changes to the original request set out in the notice shall be approved by relevant shareholders.</p> <p>If the supervisory committee fails to issue a notice of convening a general meeting within the prescribed time limit, the supervisory committee shall be deemed not to convene and preside over the general meeting. Shareholders who individually or collectively hold more than 10% of the Company’s shares for more than 90 consecutive days may convene and preside over themselves.</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
	<p><b><u>If shareholders or the supervisory committee convene and hold a meeting themselves because the board of directors failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such shareholders or the supervisory committee shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.</u></b></p>
<p><b>Article 17</b> If the supervisory committee or shareholders decide to convene the general meeting on their own, they shall notify the board of directors in writing and issue a notice of such meeting. The content of the notice shall comply with the following provisions in addition to those stipulated by the Articles of Association and Article 19 of these Rules:</p> <p>(I) no new content shall be added to the proposals, otherwise the proposing shareholders or the supervisory committee shall re-submit a request to the board of directors for the convening of an extraordinary general meeting in accordance with the above procedures;</p> <p>(II) the meeting venue shall be the Company's domicile. Before the resolution of the general meeting is made, the shareholding of the convening shareholders shall not be less than 10%.</p>	<p><b>Article 18</b> If the supervisory committee or shareholders decide to convene the general meeting on their own, they shall notify the board of directors in writing and issue a notice of such meeting <b><u>and report to the local office of Securities Regulatory Commission of the State Council of the place where the Company is located and the stock exchanges.</u></b> The content of the notice shall comply with the following provisions in addition to those stipulated by the Articles of Association and Article <del>19</del><b>20</b> of these Rules:</p> <p>(I) no new content shall be added to the proposals, otherwise the proposing shareholders or the supervisory committee shall re-submit a request to the board of directors for the convening of an extraordinary general meeting in accordance with the above procedures;</p> <p>(II) the meeting venue shall be the Company's domicile. Before the resolution of the general meeting is made, the shareholding of the convening shareholders shall not be less than 10%.</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p>When the supervisory committee or shareholders themselves convene a general meeting, the board of directors and the secretary to the board of directors shall cooperate. The board of directors shall provide the register of shareholders as of the date of record. If the board of directors fails to provide the register of shareholders, the convener may apply to the securities depository or the agency to obtain the same by virtue of the relevant notice or announcement convening the general meeting. The register of shareholders obtained by the convener may not be used for any purpose other than to convene the general meeting.</p>	<p><b><u>The supervisory committee and the convening shareholders shall submit relevant certification materials to the local office of Securities Regulatory Commission of the State Council and the stock exchanges when issuing the notice of the general meeting and disclosing the announcement of the resolutions of the general meeting.</u></b></p> <p>When the supervisory committee or shareholders themselves convene a general meeting, the board of directors and the secretary to the board of directors shall cooperate. The board of directors shall provide the register of shareholders as of the date of record. If the board of directors fails to provide the register of shareholders, the convener may apply to the securities depository or the agency to obtain the same by virtue of the relevant notice or announcement convening the general meeting. The register of shareholders obtained by the convener may not be used for any purpose other than to convene the general meeting.</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p><b>Article 20</b> When the Company is to hold a general meeting, the board of directors, the supervisory committee and shareholders individually or collectively holding 3 percent or more of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>Shareholders individually or collectively holding at least 3 percent of the shares of the Company may submit extemporary motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extemporary motion within two days after receipt of the motion, and submit such extemporary motion to the general meeting for consideration. The contents of such an extemporary motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.</p> <p>Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice of the general meeting has been issued.</p> <p>The general meeting may not vote and pass resolutions on motions that are not set forth in the notice of the general meeting or that are in breach of Article 19 of these Rules.</p>	<p><b>Article 21</b> When the Company is to hold a general meeting, the board of directors, the supervisory committee and shareholders individually or collectively holding 3 percent or more of the Company’s shares shall be entitled to propose motions to the Company.</p> <p>Shareholders individually or collectively holding at least 3 percent of the shares of the Company may submit extemporary motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extemporary motion within two days after receipt of the motion, and submit such extemporary motion to the general meeting for consideration. The contents of such an extemporary motion shall fall within the authority of the general meeting, and contain a clear topic and a specific resolution.</p> <p>Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice of the general meeting has been issued.</p> <p>The general meeting may not vote and pass resolutions on motions that are not set forth in the notice of the general meeting or that are in breach of Article <del>19</del><u>20</u> of these Rules.</p>
<p>–</p>	<p><b><u>Article 22</u></b> <b><u>If the board of directors makes a proposal involving investment, property disposal or merger and acquisition, it shall fully explain the details, including the amount, price (or method of valuation), the book value of the asset, the impact on the Company, the approval status and whether it involves a related (connected) transaction.</u></b></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<u>Article 23</u> If the board of directors proposes any change in the use of proceeds, it shall explain the reason thereof, an overview of the new project and its future impact on the Company in the notice of the general meeting.
-	<u>Article 24</u> Matters involving public issuance of shares that need to be submitted to the State Council's securities regulatory agency or other relevant regulatory agencies for approval shall be submitted as special proposals.
-	<u>Article 25</u> After deliberation and approval of the annual report, the board of directors shall prepare a resolution on the profit distribution plan and submit it to the annual general meeting. When the board of directors proposes a plan to convert capital reserve into share capital, the reasons for the conversion is needed.
-	<u>Article 26</u> The list of candidates for directors and supervisors who are not employee representatives shall be submitted to the general meeting for resolution by way of a proposal. Employee directors and employee supervisors are democratically elected by all employees of the Company.
<b>Article 23</b> An extraordinary general meeting shall not decide on any matter not stated in the notice of meeting.	<b>Article 29</b> <del>A</del> An extraordinary general meeting shall not decide on any matter not stated in the notice of meeting.
-	<u>Article 31</u> The notice and the supplementary notice of the general meeting shall fully and completely disclose all the specific contents of all proposals and all information or explanations necessary for shareholders to make reasonable judgments on the matters to be discussed. If the matters to be discussed at the general meeting require the opinions of independent directors, the opinions and reasons of independent directors will also be disclosed when the notice or the supplementary notice of the general meeting is issued.

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<p><b><u>Article 32</u></b> <b><u>If the general meeting intends to discuss the election of directors and supervisors, the notice of such general meeting will fully disclose the details of the candidates for directors and supervisors, which at least include the following:</u></b></p> <p><b><u>(I) personal information such as educational background, work experience, and part-time jobs;</u></b></p> <p><b><u>(II) whether there is a related (connected) relationship with the Company or its controlling shareholders and actual controllers;</u></b></p> <p><b><u>(III) disclosure of the number of shares of the Company held;</u></b></p> <p><b><u>(IV) whether he/she has been punished by the securities supervision and administration authority of the State Council and other relevant departments and disciplined by the stock exchanges where the shares are listed.</u></b></p> <p><b><u>(V) other matters required to be disclosed by the listing rules of the places where the Company's shares are listed.</u></b></p> <p><b><u>In addition to adopting a cumulative voting system to elect directors and supervisors, each candidate for directors and supervisors shall be proposed as a single proposal.</u></b></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<p><b><u>Article 34</u></b> When the Company convenes a general meeting, the board of directors shall determine a certain day to be the equity determination date (equity registration date), at the end of which, the shareholders whose names appear on the register shall be shareholders of the Company.</p> <p><u>The interval between the equity registration date and the meeting date shall be no more than 7 business days. The equity registration date, once confirmed, cannot be changed.</u></p> <p><u>If any laws, administrative regulations, departmental rules, regulatory documents and relevant stock exchanges or regulatory agencies where the Company's shares are listed have regulations on the suspension of the share transfer registration procedures before the general meeting is held or before the record date of the Company's distribution of dividends, such regulations shall prevail.</u></p>
<p><b>Article 27</b> The Company shall hold general meetings at its domicile or other location as specified in the Articles of Association.</p> <p>A meeting venue will be established for general meetings and meetings shall be held on site. The Company will also enable shareholders to have access to the general meeting by other means as permitted by the listing rules of the place where the shares of the Company are listed. The shareholders that have participated in the general meeting through access of any aforesaid means shall be deemed as present at the meeting.</p> <p>Shareholders may attend general meetings in person or, appoint a proxy to attend and vote within the authorization scope at the meeting on their behalves, both of which have the same legal effect.</p>	<p><b>Article 36</b> The Company shall hold general meetings at its domicile or other location as specified in the Articles of Association.</p> <p>A meeting venue will be established for general meetings and meetings shall be held on site. The Company will also enable shareholders to have access to the general meeting <del>by other means as permitted by the listing rules of the place where the shares of the Company are listed</del> <b>by way of online voting</b>. The shareholders that have participated in the general meeting through access of any aforesaid means shall be deemed as present at the meeting.</p> <p>Shareholders may attend general meetings in person or, appoint a proxy to attend and vote within the authorization scope at the meeting on their behalves, both of which have the same legal effect.</p>



Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<p><b><u>Article 37</u></b> <b><u>If the general meeting is held through the Internet or other means, the voting time and voting procedures of the Internet or other means shall be clearly stated in the notice of the general meeting.</u></b></p> <p><b><u>The voting time of the general meeting held through the Internet or other means shall not be earlier than 3:00 p.m. on the day before the on-site general meeting, and shall not be later than 9:30 a.m. on the day of the on-site general meeting. Such voting shall not end earlier than 3:00 p.m. on the day of the on-site general meeting.</u></b></p>
<p><b>Article 31</b> An individual shareholder who attends a meeting in person shall produce his/her own identity card or other valid document or proof evidencing his/her identity and his/her share account card. If he/she appoints a proxy to attend the meeting on his/her behalf, such proxy shall produce his/her own valid proof of identity and the instrument of appointment from the shareholder.</p> <p>Shareholders that are legal persons shall be represented at a meeting by their legal representative or a proxy appointed by their legal representative. If the legal representative attends the meeting, he/she shall produce his/her own valid proof of identity and valid proof of his/her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall produce his/her own valid proof of identity and the lawful written instrument of appointment issued by the legal representative of the legal-person shareholder.</p>	<p><b><u>Article 41</u></b> An individual shareholder who attends a meeting in person shall produce his/her own identity card or other valid document or proof evidencing his/her identity and his/her share account card. If he/she appoints a proxy to attend the meeting on his/her behalf, such proxy shall produce his/her own valid proof of identity and the instrument of appointment from the shareholder.</p> <p>Shareholders that are legal persons shall be represented at a meeting by their legal representative or a proxy appointed by their legal representative. If the legal representative attends the meeting, he/she shall produce his/her own valid proof of identity and valid proof of his/her legal representative status. If a proxy has been appointed to attend the meeting, such proxy shall produce his/her own valid proof of identity and the lawful written instrument of appointment issued by the legal representative of the legal-person shareholder.</p> <p><b><u>Any blank power of attorney issued by the board of directors to shareholders for the purpose of entrusting proxies shall allow shareholders to choose their proxies to vote in favor or against them, and give instructions on matters to be voted on for each resolution of the meeting. The power of attorney shall indicate that if the shareholders do not give instructions, their proxies may vote at his/her own will.</u></b></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<p><b><u>Article 44</u></b> <b><u>If the relevant vouchers submitted by the meeting attendees meet one of the following conditions, their qualifications for attending the meeting are deemed invalid:</u></b></p> <p><b><u>(I) the identity documents of the principal or the proxy attending the meeting are forged, expired or altered;</u></b></p> <p><b><u>(II) the identity information of the principal or the proxy attending the meeting are unrecognizable;</u></b></p> <p><b><u>(III) a shareholder entrusts more than one person to attend this meeting, and the signatures as shown in the powers of attorney are obviously inconsistent;</u></b></p> <p><b><u>(IV) the power of attorney does not have the signature or seal of the principal;</u></b></p> <p><b><u>(V) The proxy letter of voting needing to be notarized is not notarized;</u></b></p> <p><b><u>(VI) the relevant vouchers submitted by the principal or the proxy attending the meeting on behalf of it have other obvious violations of laws, regulations, regulatory documents and the Articles of Association.</u></b></p>
-	<p><b><u>Article 45</u></b> <b><u>If the qualification of the principal or his/her proxy to attend this meeting is found to be invalid due to the unclear authorization from the principal or the vouchers provided by the proxy to prove the principal’s legal identity and relationship fail to comply with laws, regulations and regulatory documents and the Articles of Association, the principal or his/her proxy shall bear the corresponding legal consequences.</u></b></p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<u>Article 53 Shareholders or their proxies shall clearly and concisely clarify their views when considering the resolutions. They may make enquiry on issues that are not explained by the reporter and may affect their judgment and voting, and require the relevant reporter to explain.</u>
-	<u>Article 55 When the general meeting considers related (connected) transactions, the chairman shall announce the list of related (connected) shareholders and give a brief introduction of related (connected) matters. The chairman shall announce the total number of voting shares held or represented by non-related (unconnected) shareholders attending the meeting and the proportion in the Company's total shares before the deliberation and voting.</u>
-	<u>Article 56 When the general meeting considers major issues that affect the interests of minority investors, the votes of the minority investors shall be counted separately. The results of the separate counting of votes shall be disclosed publicly in a timely manner.</u>
<b>Article 47</b> Matters other than those required by laws, administrative regulations, the Listing Rules or the Articles of Association to be passed by special resolutions must be passed by ordinary resolutions at the general meeting.	<b>Article 62</b> Matters other than those required by laws, administrative regulations, the <b>SEHK Listing Rules, the ChiNext Listing Rules</b> or the Articles of Association to be passed by special resolutions must be passed by ordinary resolutions at the general meeting.
<b>Article 52</b> When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the voting results the unconnected shareholders.	<b>Article 67</b> When the general meeting considers matters relating to a <b>related</b> (connected) transaction, the <b>related</b> (connected) shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the voting results of the <b>non-related</b> (unconnected) shareholders.

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<u>Article 74 When the numbers of votes for and against a resolution are equal, the chairman of the meeting shall have the right to cast one more vote, whether by show of hands or by poll.</u>
-	<u>Article 77 The end time of the on-site general meeting shall not be earlier than that of the meeting via the Internet or other means. Shareholders or their proxies who vote through the Internet or other means have the right to check their voting results through the corresponding voting system.</u>
<p><b>Article 61</b> If the chairman of the meeting has any doubts concerning the result of the vote on any resolution, he/she may organize a recount of the number of votes cast. If the chairman of the meeting does not conduct a recount of the votes and a shareholder or proxy attending the meeting challenges the result of a vote announced by the chairman of the meeting, he/she has the right to demand a vote recount immediately following the announcement of the result, in which case the chairman of the meeting shall promptly organize a recount of the votes. The recount result shall be recorded in the minutes of the meeting.</p>	<p><u>Article 78</u> If the chairman of the meeting has any doubts concerning the result of the vote on any resolution, he/she may organize a recount of the number of votes cast. If the chairman of the meeting does not conduct a recount of the votes and a shareholder or proxy attending the meeting challenges the result of a vote announced by the chairman of the meeting, he/she has the right to demand a vote recount immediately following the announcement of the result, in which case the chairman of the meeting shall promptly organize a recount of the votes. The recount result shall be recorded in the minutes of the meeting.</p> <p><u>The minutes of meetings together with the sign-in register of attending shareholders and the proxy forms shall be kept at the Company's domicile, which shall not be destroyed within ten years.</u></p>
-	<u>Article 81 The resolutions of the general meeting shall be announced in a timely manner, and such announcement shall specify the number of shareholders and proxies present, the total number of shares with voting rights held and the proportion in the total number of shares with voting rights of the Company held, the voting method, the voting results of each proposal and the details of the resolutions passed.</u>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
-	<p><b><u>Article 82</u></b> Where a resolution is voted on by show of hands as permitted under the listing rules of the places where the shares are listed, a declaration by the chairman that a resolution has been approved, or approved unanimously, or by a particular majority, or not been approved, by show of hands, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.</p>
<p><b>Article 66</b> If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders.</p> <p>Neither the approval of the general meeting nor a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to changes in domestic and foreign laws, administrative regulations and the Listing Rules, or due to a decision made in accordance with the laws by the domestic or foreign regulatory authorities.</p>	<p><b><u>Article 85</u></b> If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders.</p> <p>Neither the approval of the general meeting nor a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to changes in domestic and foreign laws, administrative regulations, <del>and</del> the <b><u>SEHK Listing Rules and the ChiNext Listing Rules</u></b>, or due to a decision made in accordance with the laws by the domestic or foreign regulatory authorities.</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<p><b>Article 68</b> Affected class Shareholders, whether or not otherwise having the right to vote at general meetings, shall have right to vote at class shareholders' meetings in respect of any of the matters referred to in items (II) to (VIII) and items (XI) to (XII) of Article 67, except that interested shareholders shall not have the right to vote at class shareholders' meetings.</p> <p>For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meaning:</p> <p>(I) if the Company is to issue a buyback offer to all of the shareholders in the same proportion or is to buy back its own shares through public transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholder as defined in the Articles of Association shall be an "interested shareholder";</p> <p>(II) if the Company is to buy back its own shares by agreements outside a stock exchange in accordance with the Articles of Association, holders of shares to which such agreements relate shall be "interested shareholders";</p> <p>(III) shareholders that, under a proposed restructuring scheme of the Company, would bear liabilities in a proportion smaller than that of the liabilities borne by other shareholders of the same class, and shareholders that have an interest in a proposed restructuring of the Company that is different from the interest in such proposed restructuring of other shareholders of the same class, shall be "interested shareholders".</p>	<p><b>Article 87</b> Affected class Shareholders, whether or not otherwise having the right to vote at general meetings, shall have right to vote at class shareholders' meetings in respect of any of the matters referred to in items (II) to (VIII) and items (XI) to (XII) of Article <del>67</del><b>86</b>, except that interested shareholders shall not have the right to vote at class shareholders' meetings.</p> <p>For the purposes of the preceding paragraph, the term "interested shareholders" shall have the following meaning:</p> <p>(I) if the Company is to issue a buyback offer to all of the shareholders in the same proportion or is to buy back its own shares through public transactions on a stock exchange in accordance with the Articles of Association, the controlling shareholder as defined in the Articles of Association shall be an "interested shareholder";</p> <p>(II) if the Company is to buy back its own shares by agreements outside a stock exchange in accordance with the Articles of Association, holders of shares to which such agreements relate shall be "interested shareholders";</p> <p>(III) shareholders that, under a proposed restructuring scheme of the Company, would bear liabilities in a proportion smaller than that of the liabilities borne by other shareholders of the same class, and shareholders that have an interest in a proposed restructuring of the Company that is different from the interest in such proposed restructuring of other shareholders of the same class, shall be "interested shareholders".</p>

Original Articles	Amended Articles of the Rules of Procedure of General Meetings (Draft)
<b>Article 72</b> These Rules shall come into force on the date that the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited.	<b>Article 91</b> These Rules shall come into force on the date <del>the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited</del> <u>when the Company completes the initial public offering of A shares and such A shares are listed on the ChiNext Market of Shenzhen Stock Exchange.</u>

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 1</b> In order to improve the corporate governance structure of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), regulate the discussion methods and decision-making procedures of the board of directors, prompt directors and the board of directors to effectively perform their duties and improve the standardized operation and scientific decision-making of the board of directors, the Company formulates these Rules in accordance with the Company Law of the People’s Republic of China (“Company Law”), the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”), laws of places where shares of the Company are listed and requirements of the stock exchange as well as taking account into the Company’s actual situation.</p>	<p><b>Article 1</b> In order to improve the corporate governance structure of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), regulate the discussion methods and decision-making procedures of the board of directors, prompt directors and the board of directors to effectively perform their duties and improve the standardized operation and scientific decision-making of the board of directors, the Company formulates these Rules in accordance with the Company Law of the People’s Republic of China (“Company Law”), <b><u>the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK Listing Rules”), the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “ChiNext Listing Rules”)</u></b>, the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and <del>regulations of places where shares of the Company are listed and the stock exchange</del><b>relevant laws, regulations and regulatory documents</b> as well as taking account into the Company’s actual situation.</p>



Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 3</b> The board of directors of the Company shall consist of nine directors, including one chairman and three independent non-executive directors.</p> <p>At least one of the independent non-executive directors should have appropriate professional qualifications or “accounting or related financial management expertise”. In other words, such independent non-executive directors must have, through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a listed company or through performance of similar functions, experience with internal controls and in preparing, auditing, reviewing and analysing financial statements of listed companies.</p>	<p><b>Article 3</b> The board of directors of the Company shall consist of nine directors, including one chairman and three independent non-executive directors.</p> <p>At least one of the independent non-executive directors should have appropriate professional qualifications or “accounting or related financial management expertise”. In other words, such independent non-executive directors must have, through experience as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a listed company or through performance of similar functions, experience with internal controls and in preparing, auditing, reviewing and analysing financial statements of listed companies.</p>
-	<p><b><u>Article 5 The term of office of a director commences on the date of appointment to the expiry of the term of the current session of the board of directors. Where a Director has not been timely re-elected at the expiry of the term of office or the resignation of directors causes the number of board members to be less than the minimum quorum, prior to the re-elected director takes office, the existing director shall perform his/her duty as a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association. The appointment date of a director shall be the date that the resolution on the election is passed at the general meeting or other date as determined by the resolution at the general meeting.</u></b></p>
-	<p><b><u>Article 6 The directors may concurrently serve as the general manager or other senior management members, but the total number of directors who concurrently hold the post of general manager or other senior management members shall not exceed half of the total number of directors.</u></b></p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
-	<p><u>Article 7 The written notices on the intention to nominate any candidate for director and the candidate's willingness to accept the nomination shall be given to the Company within the time limit of no less than seven days granted by the Company. The start date of such seven-day notice period shall be no earlier than the next day after the notice of the meeting designated to conduct the election is given, while the end date shall be no later than 7 days before the general meeting.</u></p>
-	<p><u>Article 8 None of the following persons may serve as a director of the Company:</u></p> <p><u>(I) persons without capacity or with limited capacity for civil acts;</u></p> <p><u>(II) persons who were sentenced for corruption, bribery, infringement of property or misappropriation of property or for disrupting the order of the socialist market economy, where not more than five years have elapsed since the expiration of the period of enforcement; or persons who were deprived of their political rights for committing a crime, where not more than five years have elapsed since the expiration of the period of enforcement;</u></p> <p><u>(III) persons who served as directors, factory directors or managers of companies or enterprises which have been put into bankruptcy liquidation due to the poor management, and bear personal liability for the bankruptcy of their companies or enterprises, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation of the companies or enterprises;</u></p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
	<p><u>(IV) persons who served as the legal representatives of companies or enterprises that had their business licenses revoked for breaking the law, where such representatives bear individual liability therefor and not more than three years have elapsed since the date of revocation of the business license;</u></p> <p><u>(V) persons with comparatively large debts that have fallen due but have not been settled;</u></p> <p><u>(VI) persons who are being investigated by the judicial authorities because they violated the criminal law, and such cases are still pending;</u></p> <p><u>(VII) persons ruled by a competent authority to have violated relevant securities regulations, where such violation involved fraudulent or dishonest acts and not more than five years have elapsed since the date of the ruling;</u></p> <p><u>(VIII) persons who have been prohibited from accessing the securities market as penalization by the securities regulatory authority under the State Council, where the specified prohibition period has not expired yet;</u></p> <p><u>(IX) other circumstances stipulated by laws, administrative regulations or the listing rules of the places where the Company's shares are listed.</u></p> <p><u>If a director is elected or appointed in violation of this Article, such election, appointment or engagement shall be invalid. The Company shall dismiss the existing director who commits any act mentioned in this article during his/her tenure of office.</u></p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 5</b> The board of directors shall exercise the following functions and powers:</p> <p>(I) to convene general meetings and report its work to the general meetings;</p> <p>(II) to implement the resolutions of the general meetings;</p> <p>(III) to decide on the Company’s business plans and investment plans;</p> <p>(IV) to formulate the Company’s annual financial budgets and final accounts;</p> <p>(V) to formulate the Company’s profit distribution plan and the plan for making up losses;</p> <p>(VI) to formulate proposals for the increase or reduction of the Company’s registered capital and the issuance of shares, debentures or other securities and the listing project of the Company;</p> <p>(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change in the corporate form of the Company;</p> <p>(VIII) within the scope authorized by the general meeting, to decide, among others, the Company’s external investment, purchase and disposal of assets, assets mortgage, wealth management entrustment, bank credit and connected transactions;</p>	<p><b>Article 9</b> The board of directors shall exercise the following functions and powers:</p> <p>(I) to convene general meetings and report its work to the general meetings;</p> <p>(II) to implement the resolutions of the general meetings;</p> <p>(III) to decide on the Company’s business plans and investment plans;</p> <p>(IV) to formulate the Company’s annual financial budgets and final accounts;</p> <p>(V) to formulate the Company’s profit distribution plan and the plan for making up losses;</p> <p>(VI) to formulate proposals for the increase or reduction of the Company’s registered capital and the issuance of shares, debentures or other securities and the listing project of the Company;</p> <p>(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change in the corporate form of the Company;</p> <p>(VIII) within the scope authorized by the general meeting, to decide, among others, the Company’s external investment, purchase and disposal of assets, assets mortgage, wealth management entrustment, bank credit and <b>related</b> (connected) transactions;</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
(IX) to decide on the provision of security for the third parties;	(IX) to decide on <del>the provision of security for the third parties</del> <u>the external guarantees provided by the Company that need not be considered and approved by the general meeting under the Articles of Association, the Rules of Procedures of the General Meetings and the listing rules of the places where the Company's shares are listed;</u>
(X) to decide on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices;	(X) to decide on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices;
(XI) to engage or dismiss the Company's general manager and secretary to the board of directors; to engage or dismiss such senior management members such as deputy general manager and financial controller as proposed by the general manager, and decide on matters relating to their remuneration, rewards and punishments;	(XI) to engage or dismiss the Company's general manager and secretary to the board of directors; to engage or dismiss such senior management members such as deputy general manager and financial controller as proposed by the general manager, and decide on matters relating to their remuneration, rewards and punishments;
(XII) to formulate the basic management policies of the Company;	(XII) to formulate the basic management policies of the Company;
(XIII) to formulate proposals for amendments to these Articles of Association;	(XIII) to formulate proposals for amendments to <del>these</del> <u>the</u> Articles of Association;
(XIV) to manage the information disclosure of the Company;	(XIV) to manage the information disclosure of the Company;
(XV) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit services of annual financial statements to the Company;	(XV) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit services of annual financial statements to the Company;

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
(XVI) to listen to the work reports of the Company's general manager and inspect his/her work;	(XVI) to listen to the work reports of the Company's general manager and inspect his/her work;
(XVII) to decide the establishment of special committees under the board of directors and their compositions;	(XVII) to decide the establishment of special committees under the board of directors and their compositions;
	<b><u>(XVIII) to consider matters concerning the acquisition of the Company's shares in accordance with the circumstances stipulated in items (III), (V) and (VI) of the first paragraph of Article 32 of the Articles of Association;</u></b>
	<b><u>(XIX) to consider and approve the transactions that meet the following standards (except for provision of guarantees and financial assistances):</u></b> <ol style="list-style-type: none"> <li data-bbox="877 1081 1394 1302">1. <u>the total assets involved in the transaction (if both the book value and the evaluation value exist, the higher will prevail) account for more than 10% of the listed company's latest audited total assets;</u></li> <li data-bbox="877 1349 1394 1634">2. <u>the operating income of the transaction subject (such as equity) in the latest financial year accounts for more than 10% of the listed company's audited operating income in the latest financial year with an absolute amount of over RMB10 million;</u></li> <li data-bbox="877 1681 1394 1936">3. <u>the net profit of the transaction subject (such as equity) in the latest financial year accounts for more than 10% of the listed company's audited net profit in the latest financial year with an absolute amount of over RMB1 million;</u></li> </ol>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p>(XVIII) to exercise other functions and powers stipulated by the laws, regulations and the listing rules of the stock exchanges on which the shares of the Company are listed, conferred by general meetings and the Articles of Association.</p>	<p><b>4. <u>the transaction amount (including debts and expenses assumed) accounts for more than 10% of the listed company's audited net assets in the most recent period with an absolute amount of over RMB10 million;</u></b></p> <p><b>5. <u>The profit from the transaction accounts for more than 10% of the listed company's audited net profit in the latest financial year with an absolute amount of over RMB1 million.</u></b></p> <p><b><u>If the figures involved in the calculation of the above indicators are negative, the absolute value of such figures will be taken.</u></b></p> <p><b><u>(XX) to consider the provision of financial assistance by the Company which is not subject to consideration at the general meeting as required by the Articles of Association, the Rules of Procedures of General Meetings and the listing rules of the places where the shares of the Company are listed;</u></b></p> <p>(XVIII) to exercise other functions and powers stipulated by the laws, regulations and the listing rules of the stock exchanges on which the shares of the Company are listed, conferred by general meetings and the Articles of Association.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p>Resolutions relating to the above paragraph, with the exception of items (VI), (VII) and (XIII) which shall be approved by at least two-thirds of the directors, shall be approved by at least half of the directors.</p> <p>Any reasonable expenses incurred by the board of directors in respect of the engagement of professionals such as lawyers, certified public accountants and certified auditors when exercising its functions and powers shall be borne by the Company.</p>	<p>Resolutions relating to the above paragraph, with the exception of items (VI), (VII), <del>and</del> (XIII) <u>and (XVIII)</u> which shall be approved by at least two-thirds of the directors, shall be approved by at least half of the directors <u>(however, items (IX) and (XX) need to be agreed by more than two-thirds of the directors present at the board meeting)</u>.</p> <p>Any reasonable expenses incurred by the board of directors in respect of the engagement of professionals such as lawyers, certified public accountants and certified auditors when exercising its functions and powers shall be borne by the Company.</p>
<p><b>Article 8</b> The board of directors shall determine the authority for matters concerning the external investments, purchase and disposal of assets, assets mortgage, wealth management entrustment, bank credit and connected transactions and establish strict procedures for review and decision-making. For major investment projects, relevant experts and professionals shall be organized for review and such projects shall be submitted to the general meeting for approval.</p>	<p><b>Article 12</b> The board of directors shall determine the authority for matters concerning the external investments, purchase and disposal of assets, assets mortgage, wealth management entrustment, bank credit and <u>related (connected)</u> transactions and establish strict procedures for review and decision-making. For major investment projects, relevant experts and professionals shall be organized for review and such projects shall be submitted to the general meeting for approval.</p>



Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
-	<b><u>CHAPTER 3 COMMITTEES UNDER THE BOARD OF DIRECTORS</u></b>
-	<p><b><u>Article 17 The board of directors has set up the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee, and has also elected members and chairmen for these special committees.</u></b></p> <p><b><u>These special committees have been set up under the board of directors to provide advice and suggestions for major decisions of the board of directors. These special committees do not have decision-making power, and thus may not pass any resolution in the name of the board of directors.</u></b></p> <p><b><u>The board of directors may set up other committees and adjust existing committees as needed. The board of directors shall separately formulate the rules of procedures for the special committees of the board of directors on their responsibilities and procedures, which shall become effective after approval by the board of directors.</u></b></p>
-	<b><u>Article 18 Each special committee may engage intermediary agency to provide professional advice at the expense of the Company.</u></b>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 11</b> Before issuing a notice to convene a regular meeting of the board of directors, the office of the board of directors should fully solicit the opinions of the directors and the general manager to formulate a preliminary meeting proposal, which will be submitted to the secretary of the board of directors for review before sending to the chairman of the board of directors for finalization.</p> <p>Before finalizing the proposal, the chairman shall solicit the opinions of the general manager and other senior management personnel as necessary.</p>	<p><del><b>Article 11</b></del> Before issuing a notice to convene a regular meeting of the board of directors, the office of the board of directors should fully solicit the opinions of the directors and the general manager to formulate a preliminary meeting proposal, which will be submitted to the secretary of the board of directors for review before sending to the chairman of the board of directors for finalization.</p> <p><del>Before finalizing the proposal, the chairman shall solicit the opinions of the general manager and other senior management personnel as necessary.</del></p>
<p><b>Article 18</b> For convening the regular meetings and extraordinary meetings of the board of directors, the office of the board of directors shall deliver the written meeting notice to all directors, supervisors, the general manager and the secretary to the board of directors by hand, fax or email 14 days and five days respectively in advance.</p> <p>In the event of an emergency, such meetings may be exempted from following the provisions on the notice time and method for the extraordinary board meeting prescribed in the Articles of Association, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes. For the avoidance of doubt, the notice of an extraordinary board meeting convened in an emergency shall still include items (I), (II) and (V) specified in Article 19 of these Rules, as well as the reasonably necessary information about the reasons and topics of the meeting.</p>	<p><b>Article 23</b> For convening the regular meetings and extraordinary meetings of the board of directors, the office of the board of directors shall deliver the written meeting notice to all directors, supervisors, the general manager and the secretary to the board of directors by hand, fax or email 14 days and five days respectively in advance.</p> <p>In the event of an emergency, such meetings may be exempted from following the provisions on the notice time and method for the extraordinary board meeting prescribed in the Articles of Association, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes. For the avoidance of doubt, the notice of an extraordinary board meeting convened in an emergency shall still include items (I), (II) and (V) specified in Article <del>19</del><b>24</b> of these Rules, as well as the reasonably necessary information about the reasons and topics of the meeting.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 23</b> Where an appointing director and the proxy director attend the meeting of the board of directors, the following principles shall be followed:</p> <p>(I) when considering the related transactions, the related director shall not authorize or represent a non-related director to attend the meeting, and the non-related director shall not accept the appointment by the related director;</p> <p>(II) the independent non-executive directors shall not authorise other directors who are not the independent non-executive directors to attend the meeting, and other directors who are not the independent non-executive directors shall not accept the appointment by the independent non-executive directors;</p> <p>(III) the directors shall not fully authorise other directors to attend the meeting without giving their personal opinions and voting intentions on the proposal, and the relevant directors shall not accept full appointment and appointment with unclearly defined authorisation;</p> <p>(IV) each director can only accept the appointment by one director, nor can a director appoint the other director who has been appointed by other directors to attend on his behalf.</p>	<p><b>Article 28</b> Where an appointing director and the proxy director attend the meeting of the board of directors, the following principles shall be followed:</p> <p>(I) when considering the <b>related</b> (connected) transactions, the <b>related</b> (connected) director shall not authorize or represent a <b>non-related</b> (unconnected) director to attend the meeting, and the <b>non-related</b> (unconnected) director shall not accept the appointment by the related director;</p> <p>(II) the independent non-executive directors shall not authorise other directors who are not the independent non-executive directors to attend the meeting, and other directors who are not the independent non-executive directors shall not accept the appointment by the independent non-executive directors;</p> <p>(III) the directors shall not fully authorise other directors to attend the meeting without giving their personal opinions and voting intentions on the proposal, and the relevant directors shall not accept full appointment and appointment with unclearly defined authorisation;</p> <p>(IV) each director can only accept the appointment by one director, nor can a director appoint the other director who has been appointed by other directors to attend on his behalf.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 24</b> Votes at on-site meetings of the board of directors (including meetings held by video conference) shall be held by disclosed ballot. If a director attends an on-site meeting by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he/she says and communicate with him/her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the board of directors, votings and resolutions may be adopted by means of correspondence which shall be signed by the directors in attendance, but a regular meeting of the board of directors, a meeting at which a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or collectively hold at least 10% of total shares with voting rights of the Company) or a director has a conflict of interest in a matter to be considered which the board of directors has determined to be material and a meeting held to discuss the appointment and dismissal of the company secretary shall not be held by means of correspondence. A deadline shall be set for voting by means of correspondence, and if a director fails to express his/her opinion within the specified deadline, he/she shall be deemed to abstain.</p> <p>For meetings held by video and telephone, the number of directors present in the video or presenting opinions during the telephone conference is counted as the number of directors present. For meetings with voting by means of correspondence, the number of directors present at the meeting shall be calculated based on the effective votes actually received.</p>	<p><b>Article 29</b> Votes at on-site meetings of the board of directors (including meetings held by video conference) shall be held by disclosed ballot <u>or by show of hands</u>. If a director attends an on-site meeting by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he/she says and communicate with him/her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the board of directors, votings and resolutions may be adopted by means of correspondence which shall be signed by the directors in attendance, but a regular meeting of the board of directors, a meeting at which a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or collectively hold at least 10% of total shares with voting rights of the Company) or a director has a conflict of interest in a matter to be considered which the board of directors has determined to be material and a meeting held to discuss the appointment and dismissal of the company secretary shall not be held by means of correspondence. A deadline shall be set for voting by means of correspondence, and if a director fails to express his/her opinion within the specified deadline, he/she shall be deemed to abstain.</p> <p>For meetings held by video and telephone, the number of directors present in the video or presenting opinions during the telephone conference is counted as the number of directors present. For meetings with voting by means of correspondence, the number of directors present at the meeting shall be calculated based on the effective votes actually received.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 32</b> The directors shall avoid voting on the relevant proposals in the following cases:</p> <p>(I) there is a related relationship between the directors and the enterprise involved in the resolutions of the board meeting;</p> <p>(II) the director deems himself avoid;</p> <p>(III) other situations as stipulated by laws, the listing rules of the stock exchanges where the Company's shares are listed and the Articles of Association.</p> <p>In the above cases, such a meeting of the board of directors may be held only if more than one-half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the board of directors shall require the approval by more than one-half of the directors without a connected relationship. If the meeting of the board of directors is attended by less than three directors without a connected relationship, the matter shall be submitted to the general meeting for consideration.</p> <p>The definition and scope of a related director are subject to relevant requirements of the securities regulatory authorities and stock exchanges of the places where the shares of the Company are listed.</p>	<p><b>Article 37</b> The directors shall avoid voting on the relevant proposals in the following cases:</p> <p>(I) there is a <b>related</b> (connected) relationship between the directors and the enterprise involved in the resolutions of the board meeting;</p> <p>(II) the director deems himself avoid;</p> <p>(III) other situations as stipulated by laws, the listing rules of the stock exchanges where the Company's shares are listed and the Articles of Association.</p> <p>In the above cases, such a meeting of the board of directors may be held only if more than one-half of the directors without a <b>related</b> (connected) relationship are present, and the resolutions made at such a meeting of the board of directors shall require the approval by more than one-half of the directors without a <b>related</b> (connected) relationship. If the meeting of the board of directors is attended by less than three directors without a <b>related</b> (connected) relationship, the matter shall be submitted to the general meeting for consideration.</p> <p>The definition and scope of a <b>related</b> (connected) director are subject to relevant requirements of the securities regulatory authorities and stock exchanges of the places where the shares of the Company are listed.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Board of Directors (Draft)
<p><b>Article 35</b> After the voting of the directors at the meeting is completed, the relevant staff of the secretary to the board of directors shall collect the votes of the directors in time and hand over to the secretary to the board of directors for calculating the voting results under the supervision of a supervisor or independent non-executive director.</p> <p>For on-site meetings, the host of the meeting should announce the results on the spot; otherwise, it shall notify the directors of the voting results on the next working day after the expiry of the stipulated time limit for voting.</p> <p>The voting conducted by the directors after the host of the meeting announces the voting results or after the stipulated time limit for voting shall not be counted.</p>	<p><del><b>Article 40</b> After the voting of the directors at the meeting is completed, the relevant staff of the secretary to the board of directors shall collect the votes of the directors in time and hand over to the secretary to the board of directors for calculating the voting results under the supervision of a supervisor or independent non-executive director.</del></p> <p>For on-site meetings, the host of the meeting should announce the results on the spot; otherwise, it shall notify the directors of the voting results on the next working day after the expiry of the stipulated time limit for voting.</p> <p>The voting conducted by the directors after the host of the meeting announces the voting results or after the stipulated time limit for voting shall not be counted.</p>
-	<p><b><u>CHAPTER 7 INFORMATION DISCLOSURE OF THE MEETINGS OF THE BOARD OF DIRECTORS</u></b></p>
-	<p><b><u>Article 51 The secretary to the board of directors shall be responsible for the announcement of the resolutions of the board of directors in accordance with the relevant provisions of the listing rules of the places where the Company's shares are listed. Prior to the disclosure of the announcement of the resolutions, the participating directors, attendees and recording and servicing personnel at the meeting have the obligation to keep the content of the resolutions confidential.</u></b></p>
<p><b>Article 46</b> These Rules shall come into force on the date that the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited.</p>	<p><del><b>Article 52</b> These Rules shall come into force on the date the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited</del><b><u>the Company completes the initial public offering of A shares and such A shares are listed on the ChiNext Market of Shenzhen Stock Exchange.</u></b></p>



Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
-	<p><u>Article 6 The term of office of a supervisor commences on the date of appointment to the expiry of the term of the current session of the supervisory committee. The appointment date of a supervisor shall be the date that the resolution on the election is passed at the general meeting or other date as determined by the resolution at the general meeting.</u></p> <p><u>If the date of democratic election of the employee-representative supervisor in the new session of the supervisory committee is earlier than the date of election of the new session of the supervisory committee, the appointment date of such employee-representative supervisor shall be the date of election of the new session of the supervisory committee; except for this situation, the appointment date of the employee-representative supervisor shall be the date of its democratic election.</u></p>
<p><b>Article 6</b> Supervisors may resign before the expiration of their term of office, provided that a written resignation report shall be submitted to the supervisory committee.</p> <p>Where the resignation of supervisors causes the number of members of the supervisory committee to be less than the minimum quorum, prior to the re-elected supervisors take office, the existing supervisors shall perform his/her duty as a supervisor in accordance with laws and the Articles of Association.</p> <p>Except for the situations listed in the preceding paragraph, the resignation of the supervisor shall take effect when the resignation report is served on the supervisory committee.</p>	<p><u>Article 7</u> Supervisors may resign before the expiration of their term of office, provided that a written resignation report shall be submitted to the supervisory committee.</p> <p>Where the resignation of supervisors causes the number of members of the supervisory committee to be less than the minimum quorum, prior to the re-elected supervisors take office, the existing supervisors shall perform his/her duty as a supervisor in accordance with laws and the Articles of Association.</p> <p>Except for the situations listed in the preceding paragraph, the resignation of the supervisor shall take effect when the resignation report is served on the supervisory committee. <u>The supervisor who proposes to resign or his/her term of office expires shall continue to keep the Company's business secrets or matters requiring confidentiality confidential after the end of his/her term of office, until such secrets become available to the public.</u></p>



Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
-	<p data-bbox="801 329 1390 406"><u>Article 9 None of the following persons may serve as a supervisor of the Company:</u></p> <p data-bbox="801 442 1390 519"><u>(I) persons without capacity or with limited capacity for civil acts;</u></p> <p data-bbox="801 555 1390 966"><u>(II) persons who were sentenced for corruption, bribery, infringement of property or misappropriation of property or for disrupting the order of the socialist market economy, where not more than five years have elapsed since the expiration of the period of enforcement; or persons who were deprived of their political rights for committing a crime, where not more than five years have elapsed since the expiration of the period of enforcement;</u></p> <p data-bbox="801 1002 1390 1378"><u>(III) persons who served as directors, factory directors or managers of companies or enterprises which have been put into bankruptcy liquidation due to the poor management, and bear personal liability for the bankruptcy of their companies or enterprises, where not more than three years have elapsed since the date of completion of the bankruptcy liquidation of the companies or enterprises;</u></p> <p data-bbox="801 1415 1390 1704"><u>(IV) persons who served as the legal representatives of companies or enterprises that had their business licenses revoked for breaking the law, where such representatives bear individual liability therefor and not more than three years have elapsed since the date of revocation of the business license;</u></p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
	<p><u>(V) persons with comparatively large debts that have fallen due but have not been settled;</u></p> <p><u>(VI) persons who have been prohibited from accessing the securities market as penalization by the CSRC, where the specified prohibition period has not expired yet.</u></p> <p><u>(VII) persons who are being investigated by the judicial authorities because they violated the criminal law, and such cases are still pending;</u></p> <p><u>(VIII) persons who cannot serve as leaders of enterprises according to laws and administrative regulations;</u></p> <p><u>(IX) persons who are not natural persons;</u></p> <p><u>(X) persons ruled by a competent authority to have violated relevant securities regulations, where such violation involved fraudulent or dishonest acts and not more than five years have elapsed since the date of the ruling;</u></p> <p><u>(XI) other circumstances stipulated by laws and regulations the places where the Company's shares are listed.</u></p> <p><u>If a supervisor is elected by the Company in violation of this Article, such election shall be invalid. The Company shall dismiss the existing supervisor who commits any act mentioned in this article during his/her tenure of office.</u></p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
-	<u>Article 11 If failing to attend in person for two consecutive times without entrusting other supervisors to attend the meetings of the supervisory committee within one year, a supervisor shall be deemed to lack the ability to perform the duties, and the general meeting and the employee assembly (or other democratic decision-making procedures for employees) shall have the right to remove such supervisor.</u>
-	<u>Article 12 Supervisors who violate the laws, administrative regulations or the Articles of Association while performing their duties and thus cause losses to the Company shall be liable for compensation.</u>

**APPENDIX X                      COMPARISON TABLE OF AMENDMENTS TO THE  
RULES OF PROCEDURE OF SUPERVISORY COMMITTEE**

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 13</b> At least one meeting of the supervisory committee shall be held every six months. Under any of the following circumstances, the supervisory committee shall convene an extraordinary meeting within ten days:</p>	<p><b>Article 17</b> At least one meeting of the supervisory committee shall be held every six months <u>by the chairman of the supervisory committee. If the chairman of the supervisory committee is unable to perform his/her duties or fails to perform his/her duties, more than half of the supervisors shall jointly recommend a supervisor to convene and preside over the meeting of the supervisory committee.</u> Under any of the following circumstances, the supervisory committee shall convene an extraordinary meeting within ten days:</p>
<p>(I) when the chairman of the supervisory committee deems necessary;</p>	<p>(I) when the chairman of the supervisory committee deems necessary;</p>
<p>(II) when more than two-thirds of the supervisors propose;</p>	<p>(II) when more than two-thirds of the supervisors propose;</p>
<p>(III) when the Company suffered or are suffering a significant loss of assets, resulting in damages on the shareholders’ rights and interests;</p>	<p>(III) when the Company suffered or are suffering a significant loss of assets, resulting in damages on the shareholders’ rights and interests;</p>
<p>(IV) when the Company’s directors and senior management violate laws, regulations and the Articles of Association, seriously damaging the Company’s interests;</p>	<p>(IV) when the Company’s directors and senior management violate laws, regulations and the Articles of Association, seriously damaging the Company’s interests;</p>
<p>(V) when the securities regulatory department requires to convene such a meeting;</p>	<p>(V) when the securities regulatory department requires to convene such a meeting;</p>
<p>(VI) other circumstances stipulated by laws and the Articles of Association.</p>	<p>(VI) other circumstances stipulated by laws and the Articles of Association.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 14</b> Convening method</p> <p>The meeting of the supervisory committee shall in principle be held on site.</p> <p>Subject to ensuring the full expression by the supervisors of their opinions, voting by submitting written motions can be adopted instead of convening an on-site meeting of the supervisory committee, but such written motions shall be complete and comprehensive, and be delivered to each supervisor by hand, post or facsimile. If the supervisory committee has sent the formulated resolutions to all supervisors and supervisors signing off have reached the quorum for passing a resolution according to the Articles of Association, then the resolution is a valid one and there is no need to convene a meeting of the Supervisory Committee.</p> <p>In case of emergency, the meeting of the supervisory committee can be held by way of correspondence, but the convener shall explain the specific emergency to the supervisors attending the meeting. When voting by correspondence, the supervisors shall fax their written opinions and voting intentions for the matters considered to the supervisory committee office after signing them. The supervisors shouldn't only write down their voting intentions without their written opinions or reasons.</p>	<p><b>Article 18</b> Convening method</p> <p>The meeting of the supervisory committee shall in principle be held on site.</p> <p><del>Subject to ensuring the full expression by the supervisors of their opinions, voting by submitting written motions can be adopted instead of convening an on-site meeting of the supervisory committee, but such written motions shall be complete and comprehensive, and be delivered to each supervisor by hand, post or facsimile. If the supervisory committee has sent the formulated resolutions to all supervisors and supervisors signing off have reached the quorum for passing a resolution according to the Articles of Association, then the resolution is a valid one and there is no need to convene a meeting of the Supervisory Committee.</del></p> <p>In case of emergency, the meeting of the supervisory committee can be held by way of correspondence, but the convener shall explain the specific emergency to the supervisors attending the meeting. When voting by correspondence, the supervisors shall fax their written opinions and voting intentions for the matters considered to the supervisory committee office after signing them. The supervisors shouldn't only write down their voting intentions without their written opinions or reasons.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 20</b> Notice of the meeting of the supervisory committee</p> <p>The chairman of the supervisory committee will convene the meeting of the supervisory committee and issue a notice of the meeting. To convene a regular meeting or extraordinary meeting, the supervisory committee office shall deliver a written conference notice affixed with the seal of the office to all supervisors by hand, post or facsimile 10 and 5 days, respectively, before the meeting.</p> <p>If an extraordinary meeting of the supervisory committee is required to be held in case of emergency, the notice of the meeting can be issued by telephone or other oral means at any time, but the convener shall make an explanation at the meeting.</p>	<p><b>Article 24</b> Notice of the meeting of the supervisory committee</p> <p>The chairman of the supervisory committee will convene the meeting of the supervisory committee and issue a notice of the meeting. To convene a regular meeting or extraordinary meeting, the supervisory committee office shall deliver a written conference notice <del>affixed with the seal of the office</del> to all supervisors by hand, post or facsimile 10 and 5 days, respectively, before the meeting.</p> <p>If an extraordinary meeting of the supervisory committee is required to be held in case of emergency, the notice of the meeting can be issued by telephone or other oral means at any time, but the convener shall make an explanation at the meeting.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 28</b> Voting</p> <p>Votes at meetings of the supervisory committee shall be conducted by disclosed ballot and each supervisor shall have one vote.</p> <p>After each motion has been fully considered, the chairman of the meeting shall request supervisors present to vote where appropriate.</p> <p>Votes at on-site meetings of the supervisory committee (including meetings held by video conference) may be conducted by a show of hands or disclosed ballot. If a supervisor attends an on-site meeting by way of telephone conference or by way of other such communication equipment, so long as the supervisors present at the meeting in person can clearly hear what he/she says and communicate with him/her, all the supervisors present shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the supervisors of their opinions at a meeting of the supervisory committee, votes may be conducted and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the supervisors present at the meeting. A deadline shall be set for votes held by means of correspondence, and if a supervisor fails to express his/her opinion within the specified deadline, he/she shall be deemed to abstain.</p> <p>The voting options open to supervisors are consent, opposition or abstention. The supervisors present at a meeting shall select one from the foregoing options. If a supervisor fails to select any of the options or selects two or more of the options, the chairman of the meeting shall require him/her to select again. If he/she refuses to make a selection, he/she shall be deemed to abstain.</p>	<p><b>Article 32</b> Voting</p> <p>Votes at meetings of the supervisory committee shall be conducted by disclosed ballot <u>or by show of hands</u> and each supervisor shall have one vote.</p> <p>After each motion has been fully considered, the chairman of the meeting shall request supervisors present to vote where appropriate.</p> <p>Votes at on-site meetings of the supervisory committee (including meetings held by video conference) may be conducted by a show of hands or disclosed ballot. If a supervisor attends an on-site meeting by way of telephone conference or by way of other such communication equipment, so long as the supervisors present at the meeting in person can clearly hear what he/she says and communicate with him/her, all the supervisors present shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the supervisors of their opinions at a meeting of the supervisory committee, votes may be conducted and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the supervisors present at the meeting. A deadline shall be set for votes held by means of correspondence, and if a supervisor fails to express his/her opinion within the specified deadline, he/she shall be deemed to abstain.</p> <p>The voting options open to supervisors are consent, opposition or abstention. The supervisors present at a meeting shall select one from the foregoing options. If a supervisor fails to select any of the options or selects two or more of the options, the chairman of the meeting shall require him/her to select again. If he/she refuses to make a selection, he/she shall be deemed to abstain.</p>

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 31</b> Relevant personnel of the supervisory committee office shall collect the supervisors' voting ballots immediately after voting by the supervisors present at the meeting, and submit to the chairman of the meeting for counting under the supervision of one supervisor.</p> <p>When the meeting is held on site, the chairman of the meeting shall announce the voting result on the spot, and shall, under other circumstances, notify the supervisors of the voting result on the next working day after the expiry of the voting period.</p> <p>If a supervisor votes after the chairman of the meeting has announced the voting result or after the expiry of the voting period, his/her voting ballots will not be included.</p>	<p><del><b>Article 35</b> Relevant personnel of the supervisory committee office shall collect the supervisors' voting ballots immediately after voting by the supervisors present at the meeting, and submit to the chairman of the meeting for counting under the supervision of one supervisor.</del></p> <p>When the meeting is held on site, the chairman of the meeting shall announce the voting result on the spot, and shall, under other circumstances, notify the supervisors of the voting result on the next working day after the expiry of the voting period.</p> <p>If a supervisor votes after the chairman of the meeting has announced the voting result or after the expiry of the voting period, his/her voting ballots will not be included.</p>



Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
<p><b>Article 31</b> Minutes of the meeting</p> <p>Personnel of the supervisory committee office shall make proper records of the on-site meeting, including:</p> <p>(I) the session, time and venue of the meeting;</p> <p>(II) details on the issuance of the meeting notice;</p> <p>(III) the names of the convener and chairman of the meeting;</p> <p>(IV) the attendance of the meeting;</p> <p>(V) the meeting agenda;</p> <p>(VI) the motions considered at the meeting, and the key points of the statements and the main opinions, the voting intention of the supervisors in respect of relevant matters;</p> <p>(VII) the voting method for, and result of, each motion (the voting result shall state the number of votes for, votes against and abstentions);</p> <p>(VIII) other matters that the supervisors present at the meeting deem necessary to be included in the minutes.</p> <p>In respect of meetings of the supervisory committee held by way of correspondence, the supervisory committee office shall sort out the minutes with reference to the aforesaid provisions.</p>	<p><b>Article 37</b> Minutes of the meeting</p> <p><del>Personnel of the</del><u>The</u> supervisory committee office shall make proper records of the on-site meeting, including:</p> <p>(I) the session, time and venue of the meeting;</p> <p>(II) details on the issuance of the meeting notice;</p> <p>(III) the names of the convener and chairman of the meeting;</p> <p>(IV) the attendance of the meeting;</p> <p>(V) the meeting agenda;</p> <p>(VI) the motions considered at the meeting, and the key points of the statements and the main opinions, the voting intention of the supervisors in respect of relevant matters;</p> <p>(VII) the voting method for, and result of, each motion (the voting result shall state the number of votes for, votes against and abstentions);</p> <p>(VIII) other matters that the supervisors present at the meeting deem necessary to be included in the minutes.</p> <p>In respect of meetings of the supervisory committee held by way of correspondence, the supervisory committee office shall sort out the minutes with reference to the aforesaid provisions.</p>

**APPENDIX X                      COMPARISON TABLE OF AMENDMENTS TO THE  
RULES OF PROCEDURE OF SUPERVISORY COMMITTEE**

Original Articles	Amended Articles of the Rules of Procedures of the Supervisory Committee (Draft)
-	<u><b>Article 43</b> The secretary to the board of directors shall be responsible for the announcement of the resolutions of the supervisory committee in accordance with the relevant provisions.</u>
<b>Article 39</b> These Rules shall come into force on the date that the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited.	<u><b>Article 44</b> These Rules shall come into force on the date <del>the Company's overseas listed foreign shares are listed and begin trading on The Stock Exchange of Hong Kong Limited</del><b>the Company completes the initial public offering of A shares and such A shares are listed on the ChiNext Market of Shenzhen Stock Exchange.</b></u>

*Note: If there is any inconsistency between the English and Chinese versions of this appendix, the Chinese version shall prevail.*

**CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
REGULATION ON MANAGEMENT OF RELATED PARTY TRANSACTIONS**

**CHAPTER I GENERAL PROVISIONS**

**Article 1** In order to regulate the corporate governance structure of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), establish a comprehensive internal control system, regulate management on related party transactions, effectively safeguard the legitimate rights and interests of the Company and all shareholders (minority investors in particular) and ensure that the related party transaction agreements/contracts between the Company and its related parties are entered into under the principles of impartiality, openness and fairness, the Company has formulated this regulation according to the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Guidelines on Compliant Operation of Listed Companies of the ChiNext of the Shenzhen Stock Exchange and the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other relevant rules based on the actual situation of the Company.

**Article 2** The Company shall not jeopardize the legitimate rights and interests of all shareholders (minority shareholders in particular) when dealing with the related party transactions with its related parties.

**CHAPTER II RELATED PARTY TRANSACTIONS AND RELATED PARTIES**

**Article 3** Related party transactions of the Company refer to any matter which may give rise to a transfer of resources or obligations between the Company or its wholly-owned or controlling subsidiaries (collectively, “Subsidiaries”) and its related parties, whether with or without consideration, which include:

- (i) purchase or disposal of assets;
- (ii) external investment (including entrusted wealth management and investment in Subsidiaries, etc., and excluding establishment or capital increase of wholly-owned subsidiaries);
- (iii) provision of financial assistance (including entrusted loans);
- (iv) provision of guarantee, which refers to provision of guarantee by listed company to other parties, including guarantee provided for controlling subsidiaries;
- (v) lease of assets from or to related parties;
- (vi) entrusting or being entrusted to manage assets and business;

- (vii) endowing or being endowed with assets;
- (viii) debt restructuring;
- (ix) transfer or acquisition of research and development projects;
- (x) entering into a licensing agreement;
- (xi) waiving of rights (including waiving of pre-emptive right and right of first refusal, etc.);
- (xii) purchase of raw material, fuel and power;
- (xiii) sales of products and goods;
- (xiv) provision or receipt of labor services;
- (xv) entrusting or being entrusted to sell;
- (xvi) deposits with or loans from finance companies of the related parties;
- (xvii) joint investment with related parties;
- (xviii) other matters which may give rise to a transfer of resources or obligations by agreement.

**Article 4** Related parties of the Company include related legal persons and related natural persons.

**Article 5** Any of the following legal persons or other entities shall be regarded as related legal persons of the Company:

- (i) legal persons or other entities who have direct or indirect control over the Company;
- (ii) legal persons or other entities who are directly or indirectly controlled by the legal persons or other entities as mentioned in (i) above, other than the Company and its Subsidiaries;
- (iii) legal persons or other entities (other than the Company and its Subsidiaries) who are directly or indirectly controlled by the related natural persons of the Company, or whose directors (excluding independent directors) or senior management are related natural persons;
- (iv) legal persons holding more than 5% of the shares of the Company or parties acting in concert with them;
- (v) legal persons or other entities in whose favour the Company may act due to their special relations with the Company, as identified and confirmed by the China Securities Regulatory Commission (the “CSRC”), the Shenzhen Stock Exchange or the Company based on substance rather than form, including legal persons or other entities holding more than 10% of shares of the controlling subsidiaries which are of material influence to the Company.

**Article 6** Any of the following natural persons shall be regarded as related natural persons of the Company:

- (i) natural persons who directly or indirectly hold more than 5% of the shares in the Company;
- (ii) the directors, supervisors and senior management of the Company;
- (iii) the directors, supervisors and senior management of the related legal persons referred to in item (i) of Article 5;
- (iv) family members who have close relations with the persons referred to in items (i), (ii) and (iii) of this Article, including spouses, parents and parents-in-law, siblings and their spouses, sons and daughters aged 18 or above and their spouses, siblings of spouses and parents-in-law of sons and daughters;
- (v) other natural persons in whose favour the Company may act due to their special relations with the Company, as identified and confirmed by the CSRC, the Shenzhen Stock Exchange or the Company based on substance rather than form, including natural persons holding more than 10% of shares of the controlling subsidiaries which are of material influence to the Company.

**Article 7** Any of the following legal persons or other entities or natural persons shall be regarded as related parties of the Company:

- (i) legal persons or other entities or natural persons who have entered into agreements or arrangements with the Company or its related parties, and who, upon effecting such agreements or the arrangements, or within the next twelve months, will become such legal persons or other entities or natural persons as described in Article 5 or Article 6;
- (ii) legal persons or other entities or natural persons who used to be those as described in Article 5 or Article 6 in the previous twelve months.

**Article 8** The Company's directors, supervisors and senior management, shareholders with more than 5% shareholding of the Company and parties acting in concert with them as well as de facto controllers shall inform the Company on their related relationship with the Company in a timely manner, which shall be filed by the Company with the Shenzhen Stock Exchange.

**Article 9** The audit committee of the Company shall confirm the list of the Company's related parties and make timely update to ensure its truthfulness, accuracy and completeness, and report to the board of directors and the supervisory committee in a timely manner.

When the Company and its Subsidiaries enter into a transaction, the relevant person-in-charge shall review the list of related parties in detail and carefully evaluate whether the transaction constitutes a related party transaction. If so, such person shall perform the review, approval and reporting obligations within his/her respective scope of authority.

**Article 10** The Company shall disclose the related relationship with its related parties in a hierarchical way, and provide:

- (i) the full name of the controlling party or shareholder and code of organization (if any);
- (ii) the full name of the controlled party or investee and code of organization (if any);
- (iii) the total shareholding in controlled party or investee held by the controlling party or investor, etc.

### **CHAPTER III BASIC PRINCIPLES OF RELATED PARTY TRANSACTIONS**

**Article 11** Related party transactions of the Company shall be conducted under the following basic principles:

- (i) the principle of integrity and honesty
- (ii) the principle of equality, voluntary participation, impartiality, openness and fairness;
- (iii) the principle of being conducive to the Company's operation and development; the board of directors of the Company shall evaluate whether the related party transaction is conducted in the interest of the Company on an objective basis, and if necessary, appoint an independent financial advisor or professional valuer to audit or assess the subject matter;
- (iv) the transactions shall not jeopardize the interests of the Company and its shareholders, and shall not conceal the related relationship or cover the related party transactions as non-related transactions;
- (v) the principle of abstention by related persons.

### **CHAPTER IV PRICE DETERMINATION OF RELATED PARTY TRANSACTIONS**

**Article 12** The price of a related party transaction refers to the transaction price for the provision of products or services under the related party transaction entered into between the Company and the related parties. When conducting a related party transaction, the Company shall enter into a written agreement which specifies the rights, obligations and legal liabilities of both parties to the transaction as well as the pricing policy of the related party transaction. During the course of conducting a related party transaction, where there is any material change in major terms of the agreement such as the transaction price, the Company shall perform the approval procedure again based on the amended price of transaction.

**Article 13** Price determination of a related party transaction of the Company shall be fair and follow the following principles:

- (i) for transactions where the price of which is determined by the government, such price may apply directly;
- (ii) for transactions where the price of which is guided by the government, the transaction price may be reasonably determined within the price range guided by the government;
- (iii) in addition to being determined or guided by the government, the transaction price may be determined by first making reference to comparable market prices or pricing standards of independent third parties if such prices or standards are available for the transaction;
- (iv) for related party transactions without comparable market prices available from independent third parties, the transaction price may be determined with reference to the price of a non-related transaction entered into between the related parties and third parties independent of such related parties;
- (v) if no market prices of independent third parties or prices of independent non-related transactions are available for reference, prices may be constructed on reasonable pricing basis, i.e. reasonable costs plus reasonable profits.

**Article 14** When determining the price of a related party transaction in accordance with items (iii), (iv) or (v) of Article 13, the Company may apply the following pricing methods for different related party transactions;

- (i) cost-plus method, in which the price equals to reasonable costs incurred in the related party transaction plus gross profit of a comparable non-related transaction. This method is applicable to related party transactions in relation to procurement, sales, transfer and use of tangible assets, provision of labor services and financing facilities, etc.;
- (ii) resale pricing method, in which the price is determined with reference to the difference between the price at which the related party resells the goods to the non-related party after purchasing such goods and the gross profit of a comparable non-related transaction, being the fair transaction price at which the related party purchases the goods. This method is applicable to simple processing business in which the reseller has not made any substantial value-added processing to change the exterior, function and structure or replace the trademark of the goods, etc., or pure purchase and sale business;
- (iii) comparable uncontrolled pricing method, in which the price is determined with reference to the price charged in business operation conducted among non-related parties of the same or similar nature to that of the related party transaction. This method is applicable to all kinds of related party transactions;

- (iv) transactional net profit method, in which the net profit of a related party transaction is determined by the benchmark profit margin of a comparable non-related transaction. This method is applicable to purchases, sales, tangible asset transfer and use, provision of labor services and other relevant related party transactions;
- (v) profit split method, in which the profits attributable to each of the Company and related parties are calculated based on their respective contribution made to the consolidated profit of a related party transaction. This method is applicable to related party transactions which are highly integrated and where it is difficult to assess the transaction outcome of each party involve on a separate basis.

**Article 15** Where the price of a related party transaction cannot be determined by the aforementioned principles and methods, the Company shall disclose the principle under which the price of such related party transaction is determined and the underlying method, and explain the fairness of such price determination.

**Article 16** Payment of consideration for related party transaction: both parties to the transaction shall calculate the consideration based on the price agreed in the related party transaction agreement and the actual transaction volume, and make payment in accordance with the method and term of payment provided in such related party transaction agreement.

#### CHAPTER V APPROVAL PROCEDURES OF RELATED PARTY TRANSACTIONS

**Article 17** The following related party transactions (excluding provision of guarantee) shall be considered and approved by the chairman of the board of directors of the Company:

- (i) related party transactions between the Company and related natural persons with transaction amount of less than RMB300,000;
- (ii) related party transactions between the Company and related legal persons with transaction amount of less than RMB3,000,000 or 0.5% of the latest audited net assets of the Company.

**Article 18** The following related party transactions (excluding provision of guarantee and financial assistance) shall be proposed to the board of directors and implemented after being considered and approved by the board of directors, and shall be disclosed in a timely manner:

- (i) related party transactions between the Company and related natural persons with transaction amount of more than RMB300,000 which do not meet the criteria of being subject to consideration and approval at the general meeting as provided in Article 19;
- (ii) related party transactions between the Company and related legal persons with transaction amount of more than RMB3,000,000 and 0.5% of the latest audited net assets of the Company which do not meet the criteria of being subject to consideration and approval at the general meeting as provided in Article 19.



**Article 19** For major related party transaction (excluding provision of guarantee) between the Company and its related parties with transaction amount of over RMB30,000,000 and representing over 5% of the latest audited net assets of the Company, in addition to timely disclosure, the Company shall also provide an audit or valuation report for the subject matter of the transaction issued by a securities service institution with qualifications to conduct securities and futures business, and such transaction shall be submitted to the general meeting for consideration.

The audit committee of the Company shall evaluate such related party transaction, submit a written opinion to the board of directors for consideration and report to the supervisory committee. The audit committee may engage an independent financial advisor to issue a report as a basis of determination.

**Article 20** For related party transactions referred to in the preceding article, if the subject matter of such transactions is the Company's equity, the Company shall provide an audit report issued by an audit firm with relevant qualifications to conduct securities and futures business in respect of the financial accounting report of the subject matter of such transactions for the latest year and period prepared under the Accounting Standards for Business Enterprises. The period between the cut-off date of the audit and the date on which a general meeting is convened in respect of the audit of such transaction shall be no more than 6 months; if the subject matter of such transactions is other non-cash asset other than equity, the Company shall provide a valuation report issued by an asset valuer with relevant qualifications to conduct securities and futures business. The period between the cut-off date of evaluation and the date on which a general meeting is convened for consideration of such matter shall be no more than 1 year.

The subject matter of a related party transaction relating to daily operation may be exempted from auditing or valuation requirements under Article 42 of this regulation.

The Company shall not, directly or indirectly, provide loans to its directors, supervisors and senior management.

For transactions which do not meet the criteria set out in the previous article, the Company shall engage an audit firm or an asset valuer to conduct an audit or evaluation on such transactions if the Shenzhen Stock Exchange considers it necessary.

**Article 21** Provision of guarantee by the Company to its related parties, regardless of the amount, shall be submitted to the general meeting for consideration after being considered and approved by the board of directors.

**Article 22** Where the Company enters into a related party transaction which involves the "provision of financial assistance" and "entrusted wealth management" or other relevant matters, calculation shall be based on the actual amount of the transaction and shall be aggregated based on the transaction type for twelve consecutive months. Where the aggregate amount meets the criteria set out in Article 17, Article 18 or Article 19, the provisions of Article 17, Article 18 or Article 19 shall apply respectively. If the relevant obligations under Article 17, Article 18 or Article 19 have been performed, the transaction shall not be aggregated.

**Article 23** Where the Company and its related parties jointly contribute capital to establish a company, the transaction amount shall be the capital contributed by the Company and provisions of Article 17, Article 18 or Article 19 shall apply.

**Article 24** Where the Company intends to waive the right to proportionally increase the capital contribution in the company co-invested with the related parties or the right of pre-emption, the transaction amount shall be the amount in relation to waiving the right to increase capital contribution or the right of pre-emption, and provisions of Article 17, Article 18 or Article 19 shall apply.

If the scope of consolidated financial statements of the Company is changed due to waiver of the right to increase capital contribution or the right of pre-emption, the transaction amount shall be the latest audited total net assets of the target company related to waiver of the right to increase capital contribution or the right of pre-emption, and provisions of Article 17, Article 18 or Article 19 shall apply.

**Article 25** Where the Company enters into the following related party transactions, the amount of related party transactions shall be calculated under the principle of aggregation for twelve consecutive months and provisions of Article 17, Article 18 or Article 19 shall apply:

- (i) transactions entered into with the same related party;
- (ii) transactions entered into with different related parties in respect of the same subject matter.

The same related party referred to above includes any legal persons or other entities under the direct or indirect control of the same legal person or other entity or natural person, or having control of the interests of each other; or where the same related natural person serves as the director or senior management.

The related party transactions which have gone through approval procedures at the general meetings under the principle of aggregation shall no longer be subject to aggregation.

**Article 26** The related party transactions referred to in Article 18 and Article 19 of this regulation shall be approved in advance by independent directors, relevant person(s) shall submit relevant materials to independent directors for their prior approval through the secretary to the board of directors, and submit the same to the board of directors for approval after being approved in advance by the independent directors. Independent directors may engage intermediaries to issue a special report as a basis of their determination before making a judgment.

Independent directors shall not approve the related party transactions which are unfair. In the event that any relevant persons conduct the aforesaid related party transactions in contravention with the internal control system of the Company, the independent directors are entitled to report such situation to the Shenzhen Stock Exchange and other regulatory authorities.

**Article 27** When the board of directors of the Company considers a related party transaction, related directors shall abstain from voting, nor shall they vote on behalf of other directors. Non-related directors shall not authorize related directors to attend the meeting on their behalf, and related directors shall not accept such authorization of any non-related directors; independent directors shall not authorize any non-independent director to attend the meeting on his/her behalf, and non-independent directors shall not accept the such authorization of any independent directors.

Before the voting of the board of directors, each director shall declare whether he/she is a related director. Where the related director neither takes the initiative to make a declaration nor abstains from voting, directors who are aware of the situation shall request the related directors to abstain from voting.

The meeting of the board of directors may be convened if more than one half of the non-related directors attend the meeting. Resolutions at the meeting of the board of directors shall be approved by more than half of the non-related directors. Where there are less than three non-related directors present at the meeting of the board of directors, the Company shall submit the transaction to the general meeting of the Company for consideration.

The related directors referred to in the above paragraph include the following director or a director under one of the following circumstances:

- (i) a counterparty to the transaction(s);
- (ii) a person who is employed by a counterparty to the transaction(s) or by a legal person or other entity(ies) with direct or indirect control over the counterparty to the transaction(s) or by a legal person or other entity(ies) under direct or indirect control of the counterparty to the transaction(s);
- (iii) a person who has direct or indirect control over the counterparty to the transaction(s);
- (iv) a close family member of a counterparty to the transaction(s) or of a person who has direct or indirect control over the counterparty to the transaction(s) (for detailed scope, please refer to item (iv) of Article 6 of this regulation);
- (v) a close family member of any director, supervisor or senior management of a counterparty to the transaction(s) or of a person who has direct or indirect control over the counterparty to the transaction(s) (for detailed scope, please refer to item (iv) of Article 6 of this regulation);
- (vi) a director whose independent business judgment may be affected as determined by the CSRC, the Shenzhen Stock Exchange or the Company based on the principle of substance over form.

**Article 28** For related party transactions to be considered at the general meeting of the Company, related shareholders shall abstain from voting on such related party transactions, in such case the number of shares represented by them carrying voting rights shall not be counted towards the total number of shares with valid voting rights, nor shall such shareholders vote on behalf of other shareholders. Announcements on the resolutions passed at the general meeting shall fully disclose the results of the voting of non-related shareholders on the transactions.

For related party transactions to be considered at the general meeting, procedures in respect of abstaining from voting and voting by related party shareholders are as follows:

- (i) if a matter to be considered at the general meeting is related to a shareholder, such shareholder shall disclose such related relationship to the board of directors of the Company before the date of convening the general meeting;
- (ii) when considering related party transaction at the general meeting, the chairman of the meeting shall announce the related shareholders and explain the related relationship of such related shareholders in the related party transaction;
- (iii) the related shareholders shall take the initiative to abstain from voting in respect of the related party transaction at the general meeting. If the related shareholders do not abstain from voting, the chairman of the meeting shall request such related shareholders to do so, and the related party transaction shall be considered and voted upon by non-related shareholders;
- (iv) resolutions on related party transactions shall be passed by non-related shareholders holding over half of shares with voting rights; and special resolutions shall be passed by non-related shareholders holding over two thirds of shares with voting rights;
- (v) if the related shareholders do not disclose their related relationship or abstain from voting for the related party transactions according to the above procedures, all resolutions related to such related party transactions shall be invalid and subject to re-voting.

The related shareholders referred to in the above paragraph include the following shareholder or a shareholder under one of the following circumstances:

- (i) a counterparty to the transaction(s);
- (ii) a person who has direct or indirect control over the counterparty to the transaction(s);
- (iii) a person who is under direct or indirect control by the counterparty to the transaction(s);
- (iv) a person who is under direct or indirect common control of the same legal person(s) or other entity(ies) or natural person(s) as the counterparty to the transaction(s);
- (v) a close family member of a counterparty to the transaction(s) or of a person who has direct or indirect control over the counterparty to the transaction(s) (for detailed scope, please refer to item (iv) of Article 6 of this regulation);

- (vi) a person who is employed by a counterparty to the transaction(s) or by a legal entity with direct or indirect control over the counterparty to the transaction(s) or by a legal entity under direct or indirect control of the counterparty to the transaction(s) (for shareholders who are natural persons);
- (vii) a shareholder whose voting rights are restricted or affected due to any outstanding equity transfer agreement or any other agreement entered into with the counterparty to the transaction(s) or its related parties;
- (viii) a legal person or natural person in whose favour the Company may act as determined by the CSRC or the Shenzhen Stock Exchange.

**Article 29** The supervisory committee of the Company shall supervise the consideration, voting, disclosure and execution and other matters of related party transactions and express their opinions in the annual reports.

**Article 30** In consideration of a related party transaction, the person in charge of such transaction shall make a detailed inquiry into the actual conditions of the subject matter of such transaction, including its current operation, profitability and whether any pledge, litigation or arbitration exists. In determining the counterparty of such transaction, the person in charge shall make a detailed inquiry into the credit history and credit profile of the counterparty and its ability to perform agreement and other relevant matters, and select such counterparty in the best interest of the Company.

In determining the transaction price, the person in charge shall make judgment with due diligence on adequate basis for pricing and engage intermediaries with relevant qualifications to conduct securities and futures business to conduct an audit or evaluation if necessary.

The senior management, board of directors and the general meeting of the Company shall not deliberate and make decision on related party transactions if the condition of the subject matter is not clear, the transaction price has yet to be confirmed, the background of the counterparty to the transaction is unclear, the transactions will or may lead to appropriation of the Company's non-operating funds by the controlling shareholders, de facto controllers and their subsidiaries, the transactions will or may lead to non-compliant provision of guarantee by the Company to its related parties, or other circumstances caused by the transactions that will or may lead to appropriation of the Company's interests by the related parties.

**Article 31** The Company shall take effective measures to control the misappropriation or transfer of any funds, assets and other resources of the Company by a related party through various means in the circumstances including but not limited to the followings:

- (i) lending the Company's funds, with or without consideration, to a related party;
- (ii) providing entrusted loans to a related party via any bank or non-banking financial institution;
- (iii) entrusting a related party to make an investment;

- (iv) issuing a commercial acceptance bill to a related party without a true underlying transaction;
- (v) repaying any debts on behalf of a related party;
- (vi) other means specified by the CSRC.

**Article 32** Independent directors and supervisors shall review the records of transfer of funds between the Company and the related parties at least every quarter and determine whether there exists any misappropriation or transfer of funds, assets and other resources of the Company by the controlling shareholder and its related parties. Any irregularities shall be promptly reported to the board of directors of the Company which shall take relevant measures.

**Article 33** If any misappropriation or transfer of any funds, assets or other resources of the Company by any related party has caused or may cause loss to the Company, the board of directors of the Company shall take protective measures such as litigation or property preservation promptly to avoid or mitigate loss.

#### **CHAPTER VI DISCLOSURE REQUIREMENTS OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

**Article 34** The related party transactions referred to in Article 18 and Article 19 herein between the Company and the related parties shall be disclosed in the form of temporary announcement.

**Article 35** The Company shall submit the following documents to the Shenzhen Stock Exchange for disclosure of related party transactions:

- (i) the announcement;
- (ii) an agreement or a letter of intent in relation to such transaction;
- (iii) the resolutions of the board of directors and the announcement of such resolutions;
- (iv) a letter of approval for the transaction from the competent authority (if applicable);
- (v) a professional report issued by a securities service institution (if applicable);
- (vi) a prior approval in writing for the transaction by the independent directors;
- (vii) opinions of independent directors;
- (viii) opinions of the audit committee (if applicable);
- (ix) other documents requested by the Shenzhen Stock Exchange.

**Article 36** The announcement on related party transactions as disclosed by the Company shall include the following information:

- (i) a brief description of the related party transaction and general information of the subject matter of the transaction;
- (ii) the prior approval and independent opinion provided by the independent directors;
- (iii) opinions of the independent financial advisor (if applicable);
- (iv) opinions of the audit committee (if applicable);
- (v) the voting results of the board of directors (if applicable);
- (vi) the description of the related relationship among parties to the transaction(s) and the general information of the related parties;
- (vii) the pricing policy and basis of pricing for the transaction, the relationship between the transaction price and book value or appraised value of the subject matter of the transaction and the specific and fair market prices, as well as other specific matters related to pricing that are required to be disclosed due to the special circumstances of the subject matter of the transaction. In the event of any substantial differences between the transaction price and the book value, appraised value or market price, reasons shall be disclosed. For any unfair transaction, the direction of diverted interest arising from this related party transaction shall also be disclosed;
- (viii) other important matters of the transaction agreement, including the transaction price, the terms of settlement, the nature and ratio of the related party's interest in the transaction, the condition for the agreement to be effective, effective term and time limit for performance of the agreement, etc.;
- (ix) the purpose of the transaction and its impact on the Company, including the true intention and necessity of such related party transaction as well as the impact on the current and future financial position and operating results of the Company, etc.;
- (x) introduction of the historical related party transactions, including the aggregate amount for all types of related party transactions entered into with such related parties from the beginning of the year up to the date of disclosure;
- (xi) undertakings of the controlling shareholders (if any);
- (xii) other information which facilitates the explanation of the nature of the transaction as required by the CSRC and the Shenzhen Stock Exchange.

Where the Company provides guarantee to a related party, disclosure shall be made as to the total amount of the external guarantees provided by the Company and its Subsidiaries and the total amount of the guarantees provided to the related party as at the date of disclosure, as well as the respective ratio of each of the aforesaid amounts to the latest audited net assets of the Company.

**Article 37** The Company shall disclose the major related party transactions in the reporting period in the section headed “Significant Events” in the annual reports and interim reports, and make separate disclosure according to the types of transactions as required in Article 38 to Article 41.

**Article 38** The disclosure made by the Company for related party transactions in relation to the daily operation shall include:

- (i) parties to the related party transactions;
- (ii) details of the transactions;
- (iii) pricing policy;
- (iv) the transaction price (if the Company can obtain the market price for similar transactions, it shall disclose such market reference price; in the event of a substantial difference between the actual transaction price and the market reference price, reasons shall be given);
- (v) the ratio of the transaction amount to the amount of same type of transactions and the settlement methods of such transaction amount;
- (vi) details of substantial sales return (if any);
- (vii) the necessity and continuity of the related party transactions, reasons for conducting the transactions with the related parties (rather than other parties in the market), the impact of such related party transactions on the independence of the Company, the reliance of the Company on the related parties as well as relevant solutions (if any);
- (viii) for daily related party transactions estimated on an aggregate basis for a year by type, the Company shall disclose the actual performance of daily related party transactions in the reporting period (if any).

**Article 39** The disclosure of major related party transactions in relation to acquisitions and disposal of assets shall include:

- (i) parties to the related party transactions;
- (ii) details of the transactions;
- (iii) pricing policy;



- (iv) the book value and appraised value of the assets, fair market value and transaction price; in the event of substantial differences between the transaction price and book value or appraised value and fair market value, reasons shall be given;
- (v) the impact of settlement methods and transactions on the operating results and financial position of the Company.

**Article 40** The disclosure of related party transactions in relation to the joint external investment with the related parties shall include:

- (i) the co-investors;
- (ii) the name, principal businesses, registered capital, total assets, net assets and net profit of the investee;
- (iii) the progress of the major projects under construction (if any).

**Article 41** If there are debts, guarantees or other matters between the Company and the related parties, the Company shall disclose the reasons for their existence and their impacts on the Company.

#### **CHAPTER VII SPECIAL REQUIREMENTS FOR DISCLOSURE AND APPROVAL PROCEDURES OF DAILY RELATED PARTY TRANSACTIONS**

**Article 42** Daily related party transactions between the Company and the related parties as set out items (xi) to (xvi) of Article 3 herein shall be disclosed pursuant to the following provisions and relevant approval procedures shall be performed thereunder:

- (i) for any agreement of daily related party transactions, which has been considered and approved by the board of directors or the general meeting and is in the process of performance, if there are no significant changes to its major terms during performance, the Company shall disclose the actual performance of relevant agreement in the annual report and interim report as required and explain whether the requirements of the agreement are met. In the event of any substantial changes to the major terms of the agreement during the process of performance or where the agreement expires and shall be renewed, the Company shall, with reference to the transaction amounts involved in such agreement, submit the newly amended or renewed agreement on the daily related party transactions to the board of directors or the general meeting for consideration. Where no specific transaction amount is provided in the agreement, the transaction shall be submitted to the general meeting for consideration;

- (ii) for daily related party transactions entered into for the first time, the Company shall enter into a written agreement with the related parties and make timely disclosure. Such agreement shall be submitted to the board of directors or the general meeting for consideration based on the total amount involved in the agreement. Where no specific transaction amount is provided in the agreement, the transaction shall be submitted to the general meeting for consideration. Upon consideration and approval of such agreement and the disclosure thereof, the daily related party transactions contemplated thereunder shall be processed in accordance with the preceding paragraph;
- (iii) if the Company enters into many new daily related party transactions every year and it is necessary to enter into new agreements for daily related party transactions frequently, thus making it difficult to submit each agreement to the board of directors or the general meeting for consideration in accordance with the preceding paragraph, the Company may, based on the type of transactions, make reasonable estimation of the aggregate amount of such daily related party transactions to be entered into in the year prior to the disclosure of the annual report for the preceding year, and submit such estimated amount to the board of directors or the general meeting for consideration and make relevant disclosure; for daily related party transactions within the range of estimation, the Company shall make brief disclosure in its annual report and interim report by type. If the actual amount of the transactions of the Company exceeds the estimated aggregate amount, the Company shall resubmit the transactions to the board of directors or the general meeting for consideration and make relevant disclosure in respect of the excessive amount.

**Article 43** Agreements on daily related party transactions shall contain the pricing policy and basis, the transaction price, the range of the total transaction volume or the determination methods of the total transaction volume, as well as the time and method of payment, the comparison with the actual transaction amount of comparable daily related party transactions for the last three years and other major terms which are discloseable.

If the agreement does not set out the specific transaction price but only indicates that the market price will serve as reference, the Company, while performing its disclosure obligations according to the provisions of Article 43, shall disclose the actual transaction price, the market price and related determination methods, as well as reasons for any difference between the two prices.

**Article 44** For any agreements on daily related party transactions entered into between the Company and the related party with a term of more than three years, the Company shall perform relevant approval procedures and disclosure obligations every three years in accordance with this regulation.

#### CHAPTER VIII SPECIAL REQUIREMENTS FOR PURCHASING ASSETS OF RELATED PARTIES AT A PREMIUM

**Article 45** For major related party transactions in which the price of the assets of the related party to be purchased by the Company exceeds 100% of the carrying value, apart from announcing the reason for the premium, the Company shall provide internet voting or other convenient voting means to shareholders attending the general meeting and shall comply with the requirements of Article 47 to Article 50 as set out below.

**Article 46** The Company shall provide a profit forecast report relating to the assets to be purchased. The profit forecast report shall be audited by an accounting firm qualified for conducting a business relating to securities and futures.

Where the Company fails to provide such profit forecast report, explanations shall be given for the reason thereof and a risk warning shall be made in the announcement on the related party transactions, with detailed analysis of the impact of such related party transactions on the Company's ability to operate on a going concern basis and future development.

**Article 47** Where the Company appraises the assets to be purchased by means of valuation methods based on estimated future income such as the discounted cash flow method and hypothetical development method, and determines the price with reference to such estimation, the differences between the actual earnings and the estimated profit of relevant assets shall be disclosed in the annual reports for three consecutive years upon completion of the related party transactions, together with an audit opinion issued by an accounting firm.

The Company shall sign a specific and practicable compensation agreement with the related parties in respect of any shortfall of actual profit of relevant assets as compared to the estimated profit thereof.

**Article 48** Where the Company appraises the assets to be purchased by means of valuation methods such as the discounted cash flow method and hypothetical development method, and determines the price with reference to such estimation, disclosure shall be made in respect of relevant data under more than two valuation methods (including the above methods), and independent directors shall express their opinions on the independence of the valuer, reasonableness of the valuation assumptions and the fairness of the valuation.

**Article 49** The audit committee of the Company shall express its opinions on the above related party transactions which shall include:

- (i) the basis of the opinions and the factors considered;
- (ii) whether the pricing is fair and reasonable and whether it is in the interest of the listed company and its shareholders as a whole;
- (iii) advice to non-related directors and non-related shareholders on approving or disapproving such related party transactions.

The audit committee of the Company may appoint an independent financial advisor to issue a report as a basis of determination before making any decisions.

CHAPTER IX WAIVER FROM DISCLOSURE AND APPROVAL PROCEDURES OF  
RELATED PARTY TRANSACTIONS

**Article 50** Approval and disclosure requirements for related party transactions may be waived for the following related party transactions entered into between the Company and the related parties:

- (i) either party subscribes in cash for the shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives publicly issued by another party;
- (ii) either party, as a member of the underwriting syndicate, underwrites the shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives publicly issued by another party;
- (iii) either party receives dividend, bonus or reward in accordance with the resolutions passed at the general meeting of another party;
- (iv) either party participates in open tendering or auction of another party, excluding tendering or auction through which it is difficult to form a fair price;
- (v) the listed company unilaterally benefits from the transaction, including receiving cash assets as a gift, being granted debt relief, accepting guarantee and financial assistance, etc.;
- (vi) the price of the related party transaction is determined in accordance with national requirements;
- (vii) the related party provides funds to the listed company at an interest rate no higher than the prevailing benchmark lending rate stipulated by the People's Bank of China, for which the listed company provided no security;
- (viii) the listed company provides goods or services to directors, supervisors or senior management on the same terms and conditions as those in the transactions between the listed company and non-related parties;
- (ix) other transactions determined by the Shenzhen Stock Exchange.

**Article 51** For the establishment of a company by the Company and related parties through joint capital contribution which constitutes a substantial related party transaction, where all contributing parties contribute in cash with each of their shareholdings in the company determined based on the proportion of their respective capital contribution, the Company may apply to the Shenzhen Stock Exchange for a waiver from submitting such transaction to the general meeting for consideration.

**Article 52** Where the same natural person serves as the independent director of both the Company and other legal person or entity and there are no other circumstances which make such person a related person, when such legal person or entity enters into transactions with the Company, the Company may apply to the Shenzhen Stock Exchange for a waiver from approval and disclosure requirements of a related party transaction.

**Article 53** Where the related party transaction to be disclosed by the Company is a national secret, trade secret or other situations recognized by the Shenzhen Stock Exchange, and any disclosure made or performance of relevant obligations pursuant to this regulation may result in a breach of the national laws and regulations on confidentiality or a material prejudice to the Company's interest, the Company may apply to the Shenzhen Stock Exchange for a waiver from disclosure or performance of relevant obligations under this regulation.

#### **CHAPTER X SUPPLEMENTARY PROVISIONS**

**Article 54** For matters not covered by this regulation or conflict with the laws, regulations, the Listing Rules or the Articles of Association issued or amended after this regulation becomes effective, provisions of such laws, regulations, the Listing Rules and the Articles of Association shall prevail.

**Article 55** Any amendment to this regulation shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 56** This regulation is subject to the interpretation by the board of directors of the Company.

**Article 57** After being considered and approved by the general meeting of the Company, this regulation shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange.

CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
REGULATION ON MANAGEMENT OF EXTERNAL GUARANTEE

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to strengthen the internal control of provision of guarantee by Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), safeguard the legitimate rights and interests of the investors and safety of properties of the Company, and effectively prevent risks associated with provision of guarantee, the Company has formulated this regulation according to the requirements of the Company Law of the People’s Republic of China, the Guarantee Law of the People’s Republic of China, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Notice on Regulating the External Guarantee of Listed Companies, the Notice on Several Issues relating to the Regulation of Transfer of Funds between the Listed Companies and the Related Parties and External Guarantee Provided by Listed Companies and the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other relevant laws and regulations.

**Article 2** The guarantee referred to in this regulation represents external guarantee provided by the Company and guarantee provided to and received from related parties.

**Article 3** The external guarantee of the Company shall be subject to unified management and follow the principle of “being impartial and voluntary, strictly controlling risks, acting based on the Company’s capabilities and prioritizing benefits”.

**Article 4** For guarantee provided to external parties, the Company shall require such parties to provide counter-guarantee with collaterals such as lands and properties, and shall perform relevant registration procedures according to relevant laws and regulations to create confronting effect of real rights.

CHAPTER II GUARANTEED PARTY, DECISION-MAKING POWER AND  
APPROVAL PROCEDURES OF EXTERNAL GUARANTEE

**Articles 5** No guarantee shall be provided to the entities or enterprises in the following circumstances:

1. non-compliance with the national laws and regulations or development plan of the Company;
2. entities or enterprises which provide insufficient information or false financial statements and other information;
3. the Company used to provide guarantee to such entities or enterprises which have the records such as overdue repayment of bank loans, default in payment of interest and guarantee fees;
4. enterprises with deteriorating business conditions and poor credit profile which incurred loss in last year or are expected to record loss for current year;

5. enterprises identified as being shut down and transformed under classification management of enterprises;
6. entities or enterprises which have yet to provide valid properties for counter-guarantee;
7. entities or enterprises which have unclear titles of properties, have yet to complete restructuring and other reorganization works, or the establishment of which are not in compliance with national laws and regulations or national industrial policies;
8. Other circumstances which do not comply with the provisions of this regulation or are considered by the Company as unfit for provision of guarantee.

**Article 6** The listed company shall provide guarantee to related parties based on reasonable commercial terms, make timely disclosure after being considered and approved by the board of directors and submit the guarantee to the general meeting for consideration.

The following external guarantee provided by the Company shall be subject to consideration and approval at the general meeting:

- (i) the amount of a single guarantee exceeds 10% of the latest audited net assets of the Company;
- (ii) any guarantee which will cause the total amount of guarantee provided by the Company and its controlling subsidiaries to exceed 50% of latest audited net assets of the Company;
- (iii) guarantee provided to guaranteed parties with debt to asset ratio of over 70%;
- (iv) the guarantee amount exceeds 50% of the latest audited net assets of the Company for twelve consecutive months and the absolute amount of guarantee exceeds RMB50 million;
- (v) the guarantee amount exceeds 30% of the latest audited total assets of the Company for twelve consecutive months;
- (vi) guarantee provided to shareholders, de facto controllers and their related parties;
- (vii) Other guarantee as required by the stock exchanges of the places where the Company's shares are listed and the Articles of Association.

The "external guarantee" referred to in this regulation represents the guarantee provided by the Company to other parties, including the guarantee provided by the Company to its controlling subsidiaries. The "total amount of guarantee provided by the Company and its controlling subsidiaries" represents the sum of total amount of external guarantee provided by the Company (including guarantee provided by the Company to its controlling subsidiaries) and total amount of external guarantee provided by the controlling subsidiaries of the Company.

When considering the guarantee set out in item (v) of the first paragraph at the general meeting, the relevant resolution shall be passed by the shareholders holding over two thirds of the voting rights present at the meeting.

When considering the resolution on provision of guarantee to shareholders, de facto controllers and their related parties at the general meeting, such shareholders or the shareholders under control of such de facto controllers shall abstain from voting, and such resolution shall be passed by other shareholders holding over half of the voting rights present at the general meeting.

Where the Company provides guarantee to its wholly-owned subsidiaries, or provides guarantee to its controlling subsidiaries and other shareholders of such controlling subsidiaries also provide guarantee in proportion to their respective shareholdings, and such guarantee is under the circumstances as set out in items (i) to (iv) of the first paragraph, it may be exempted from being submitted to the general meeting for consideration, unless otherwise stipulated in the Articles of Association.

**Article 7** Within the scope of authorization of the general meeting, the board of directors shall make decision on venture capital investment, pledge of assets and other guarantee, and consider other external guarantee other than those set out in Article 6 and make timely disclosure.

**Article 8** When considering the external guarantee of the Company, the board of directors shall strictly examine the asset and credit profile of the guaranteed parties. For external guarantee subject to consideration and approval by the board of directors, in addition to being approved by over half of all directors, it shall also be considered, approved and resolved on by over two thirds of the directors present at the meeting of the board of directors.

**Article 9** For external guarantee, the Company shall request the guaranteed parties to provide counter-guarantee, and the provider of counter-guarantee shall have the actual ability to bear relevant liabilities;

### **CHAPTER III EXAMINATION OF EXTERNAL GUARANTEE**

**Article 10** The finance department is responsible for management of financing and guarantee business of the Company. In particular, it is responsible for risk assessment of financing and guarantee business, dealing with matters related to approval procedures of financing and guarantee business and management of financing and guarantee records. The finance department shall establish an external guarantee monitoring system, strengthen the management of guarantee information, establish a comprehensive registration book for inspection, and disclose relevant matters in the annual financial report.

**Article 11** Upon receipt of application from guaranteed parties, the general manager of the Company shall instruct the finance department to conduct strict examination and assessment on the asset and credit profile of guaranteed parties, submit relevant materials to the board of directors of the Company for consideration after being reviewed by the management of the Company. The board of directors shall carefully examine the conditions of guarantee applicants based on relevant information, and shall not provide guarantee to applicants who do not meet the Company's conditions for provision of external guarantee.



To prove the asset and credit profile, guarantee applicants are required to provide at least the following basic information:

1. basic information of guarantee applicants (including company name, registered address, nature of enterprise, legal representative, business scope, other information of industry and commerce registration and whether such applicants are related to the Company);
2. latest financial statements, latest year's audited financial report and solvency analysis;
3. name of the creditors;
4. use of guaranteed funds;
5. guaranteed principal amount, term of facilities, and type, term and amount of guarantee, etc.;
6. copy of the main contract related to the debts;
7. information of counter-guarantee, including counter-guarantee contract and form of guarantee. Analysis shall be conducted on the reliability of counter-guarantee and if there exists any legal impediment;
8. other important information.

**Article 12** The external guarantee of the Company shall only be executed after being considered and approved by the board of directors or the general meeting according to relevant provisions of Article 6 and Article 8 of this regulation.

**Article 13** The counter-guarantee provided by the guarantee applicant or other effective risk control measures shall match with the guaranteed amount. No guarantee shall be provided to the guarantee applicant if the property against which the counter-guarantee is to be provided is prohibited by the relevant laws and regulations from free transfer or otherwise non-transferable.

## CHAPTER IV ENTERING INTO OF GUARANTEE CONTRACT

**Article 14** The guarantee contract shall be in compliance with relevant laws and regulations and the items stipulated in the guarantee contract shall be clear and specific. After being examined by the finance department of the Company, the guarantee contract shall be submitted to the law firm engaged by the Company, which will issue its legal opinions in this regard.

The guarantee contract shall contain the following terms:

- (1) creditor and debtor;
- (2) type and amount of the guaranteed principal credit;
- (3) term for the debtor to settle its debt;
- (4) form of external guarantee: guaranty (general guaranty and joint liability guaranty), mortgage and pledge;
- (5) name, amount, quality, location, ownership or right of use (mortgage or pledge) of the collateral;
- (6) time for transfer of collateral (pledge);
- (7) scope of guarantee;
- (8) guarantee period;
- (9) rights and obligations of the parties to the contract;
- (10) counter-guarantee;
- (11) liabilities of breach;
- (12) method of dispute resolution;
- (13) other matters that required to be agreed on by the parties.

**Article 15** When accepting counter-guarantee mortgage or pledge, the finance department of the Company shall complete the relevant legal procedures, in particular the timely registration of such mortgage or pledge.

**Article 16** The guarantee contract and counter-guarantee contract shall be signed by the chairman or authorized representative of the Company.

**Article 17** The finance department of the Company shall be responsible for the registration and cancellation of guarantee. The responsible department shall deliver the copy of the relevant signed contracts to the finance department of the Company for registration and management, and deliver the hard copy of such contracts to the board of directors of the Company.

#### **CHAPTER V RISK MANAGEMENT OF EXTERNAL GUARANTEE**

**Article 18** During the guarantee period, the finance department of the Company shall follow up and supervise the business conditions and service of debts of the guaranteed parties, details of which are as follows:

- (i) the finance department of the Company shall carry out follow-up management of the guarantee in legal aspects.
- (ii) the finance department of the Company shall timely obtain the information on use and repayment of funds by the guaranteed parties, and communicate with the guaranteed parties and creditors in respect of service of debts. For any deterioration in financial positions of the guaranteed parties, the finance department shall report to the Company in a timely manner and provide suggestion on countermeasures. If the guaranteed parties have any debt evasion activities such as transfer of assets, the finance department shall formulate relevant risk control measures (including property preservation measures such as judicial asset freezing) in advance with the assistance from the legal advisors of the Company. It shall give two months' notice to the guaranteed parties to settle the debts (one month's notice if guarantee period is six months).

**Article 19** If the counterparty provides counter-guarantee, when accepting counter-guarantee mortgage or pledge, the finance department of the Company (or lawyers engaged by the Company) shall complete the relevant legal procedures, in particular the timely registration of such mortgage or pledge.

**Article 20** If the creditor of the guarantee makes claims against the Company due to non-performance by the guaranteed party, the Company shall initiate the claiming procedure for counter-guarantee immediately.

**Article 21** As a general guarantor, the Company shall not assume guarantee liability to the debtor except that the guarantee contract dispute has been trialed or arbitrated and the debtor's property has been enforced according to law and cannot service the debt.

**Article 22** If the guaranteed party enters into bankruptcy, the finance department shall, with the assistance of the lawyers engaged by the Company, issue the written reminder of creditor's rights and make claim with written acknowledgement slip in a timely manner.

**Article 23** If the Company is not aware of the bankruptcy of the guaranteed party, and the creditor does not declare its claims nor inform the Company, thus making the Company unable to exercise its rights to claim in advance, the Company shall not assume the guarantee liability for the portion of debt that may be serviced through the bankruptcy procedure, and relevant litigation or arbitration matters shall be dealt with by the lawyers engaged by the Company with support from the finance department.

**Article 24** Upon the acceptance of the debtor's bankruptcy application by the People's Court, if the creditor has not declared its claims, the finance department shall, with the instruction from the deputy general manager of finance and assistance from the lawyers engaged by the Company, propose to the Company to declare the claims as a guarantor and exercise its rights to claim in advance.

**Article 25** If there are two or more guarantors in the guarantee contract and they agree with the creditor to bear the guarantee liability by portions, the Company shall refuse to bear the guarantee liability beyond the portion of the Company.

**Article 26** If the directors, chairman and other senior management of the Company enter into guarantee contract beyond their authority without prior consent and without complying with relevant procedures which causes damage to the Company, the responsible persons shall be held accountable in a strict manner.

## CHAPTER VI INFORMATION DISCLOSURE

**Article 27** After the board of directors or the general meeting resolves on the external guarantee of the Company, the board of directors shall submit relevant documents to the Shenzhen Stock Exchange and disclose relevant information on designated newspaper according to the requirements of the Listing Rules. Details to be disclosed include but are not limited to the resolution of the board of directors or the general meeting, total amount of external guarantee provided by the Company and its subsidiaries and total amount of guarantee provided by the Company to its subsidiaries as of the date of disclosure, the ratio of each of the amounts above to the latest audited net assets of the Company, and other information as required by the provisions of the Listing Rules in relation to disclosure of external guarantee.

**Article 28** For guarantee disclosed, the relevant responsible departments and persons shall inform the office of secretary to the board of directors for the following circumstances to facilitate the Company to perform its obligation of information disclosure in a timely manner:

- (i) the guaranteed party fails to settle the debts within 15 working days after the debts become due;
- (ii) where the guaranteed party enters into bankruptcy or liquidation or other situations that seriously affect its solvency.

**Article 29** The independent directors of the Company shall provide special description of the accumulated external guarantees and external guarantees for the current period and implementation of provisions of this regulation as well as their independent opinions in the annual report, and may engage audit firms to conduct verification if necessary.

## CHAPTER VII PENALTIES

**Article 30** For guarantee in respect of natural obligation which causes economic loss to the Company, relevant entities and persons shall be held accountable according to relevant provisions.

**Article 31** If the persons responsible for examination of asset and credit profile of the guaranteed parties provide false information intentionally or due to material negligence which leads to wrong decision, or provide untrue information due to their own reasons which causes economic loss to the Company, relevant persons shall be held accountable according to relevant provisions.

**Article 32** If the persons responsible for legal matters make material mistakes when examining contracts or drafting relevant legal opinions, which lead to wrong or delayed decision and causes economic loss to the Company, such persons shall be treated according to relevant measures and provisions of the Company.

**Article 33** If the persons responsible for monitoring changes fail to perform their duties diligently, thus rendering the Company unable to keep track of the material changes in the guaranteed parties in an accurate and timely manner, which leads to wrong or delayed decision and causes economic loss to the Company, such persons shall be treated according to relevant measures and provisions of the Company.

**Article 34** The person in charge of the finance department shall assume the liabilities as a leader for the examination mistakes made by the department and be treated according to relevant measures and provisions of the Company.

**Article 35** Any persons who enter into loan contract and guarantee contract beyond their authority without prior consent and without complying with relevant procedures shall be held accountable for relevant liabilities; and if any economic loss is made to the Company, the responsible persons shall be treated according to relevant measures and provisions of the Company, and serious cases shall be submitted to the judicial authority.

**Article 36** The directors who make wrong decisions shall be treated according to relevant provisions of the Company.

#### **CHAPTER VIII SUPPLEMENTARY PROVISIONS**

**Article 37** For matters not covered by this regulation or conflict with the laws, regulations, the Listing Rules or the Articles of Association issued or amended after this regulation becomes effective, provisions of such laws, regulations, the Listing Rules and the Articles of Association shall prevail.

**Article 38** Any amendment to this regulation shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 39** This regulation is subject to the interpretation by the board of directors of the Company.

**Article 40** After being considered and approved by the general meeting of the Company, this regulation shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange.

CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
REGULATION ON MANAGEMENT OF EXTERNAL INVESTMENT

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to strengthen the internal control of the external investment activities of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), regulate external investment activities, take precaution against external investment risks, ensure the security of external investment and increase the returns on external investment, the Company has formulated this regulation according to the Company Law of the People’s Republic of China (the “Company Law”), the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other relevant rules.

**Article 2** The external investment referred to herein represents the act of investing disposable resources including cash, tangible assets and intangible assets into other organizations or individuals in order to implement the strategy of expanding production and operation scale and achieve the target of obtaining long-term and sustainable income. Such activities include the establishment of new wholly-owned subsidiaries by capital contribution, additional investments in subsidiaries, setting up associates or joint ventures or merger and acquisition with other entities, equity acquisition or transfer, increase or decrease of project funds, etc.

**Article 3** All external investment activities of the Company shall comply with relevant national laws and regulations and industrial policies, be in line with the long-term development plans and development strategies of the Company, benefit the expansion of the principal business and the expansion of reproduction, facilitate the sustainable development of the Company, have expected returns on investment and be conducive to improving the Company’s overall economic benefits.

**Article 4** The external investment of the Company shall be conducted under the centralized management of the Company’s headquarter in principle. If the controlling subsidiaries have the necessity to make external investment, such investment shall be made after obtaining prior approval from the parent company. The Company’s investment in controlling subsidiaries and investees shall be guided, supervised and managed with reference to this regulation.

## CHAPTER II AUTHORITY AND APPROVAL OF EXTERNAL INVESTMENT

**Article 5** The main decision-making bodies of the Company in terms of external investments shall be the general meeting, the board of directors or the chairman. The authority is divided as follows:

- (i) Except for external investment subject to consideration and approval by the board of directors and the general meeting of the Company, other investment shall be considered and approved by the chairman. The chairman shall report relevant matters to the board of directors afterwards.
- (ii) External investment transactions of the Company meeting one of the following criteria shall be submitted to the board of directors for consideration and approval before implementation:
  1. total amount of assets involved in the transactions exceeds 10% of the latest audited total assets of the Company, and if such total amount of assets involved in the transactions has both book value and assessed value, the higher one shall be used for calculation;
  2. the operating revenue generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 10% of the audited operating revenue of the Company in the most recent financial year, and the absolute amount of which exceeds RMB10 million;
  3. the net profit generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 10% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB1 million;
  4. the transaction consideration (including debts and expenses assumed) exceeds 10% of the latest audited net assets of the listed company, and the absolute amount of which exceeds RMB10 million;
  5. profits arising from the transaction exceeds 10% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB1 million.

If the figures for calculation of the above criteria are negative amounts, their absolute amounts shall be used for calculation.



- (iii) External investment transactions (excluding receipt of cash assets as gifts) of the Company meeting one of the following criteria shall be submitted to the general meeting for consideration and approval after being considered and approved by the board of directors before implementation:
1. total amount of assets involved in the transactions exceeds 50% of the latest audited total assets of the Company, and if such total amount of assets involved in the transactions has both book value and assessed value, the higher one shall be used for calculation;
  2. the operating revenue generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 50% of the audited operating revenue of the Company in the most recent financial year, and the absolute amount of which exceeds RMB50 million;
  3. the net profit generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 50% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB5 million;
  4. the transaction consideration (including debts and expenses assumed) exceeds 50% of the latest audited net assets of the listed company, and the absolute amount of which exceeds RMB50 million;
  5. profits arising from the transaction exceeds 50% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB5 million.

If the figures for calculation of the above criteria are negative amounts, their absolute amounts shall be used for calculation.

For transactions conducted in phases, the aggregate transaction amount shall be applied for items (ii) and (iii) above, and the listed company shall disclose the actual situation of the transactions conducted in phases.

This article shall apply to the external investment of the Company within 12 months on an aggregate basis, and if relevant approval procedures at the general meeting have been performed as required by this article, the transaction shall not be aggregated. For external investment in establishment of companies with limited liability or joint stock companies, the total capital contribution as agreed in the agreement shall be applied for this article.

External investments that are related party transactions shall be conducted based on the decision-making authority on related party transactions of the Company.

In addition to compliance with this regulation, the external investment made by the controlling subsidiaries shall be subject to other relevant provisions of the Company.

**Article 6** Before making decision on external investment by the general meeting, the board of directors or the chairman, relevant departments of the Company shall provide the feasibility study report and relevant information of the proposed investment project to each level of authority from the chairman, the board of directors to the shareholders for decision-making purpose based on the status of the project.

### **CHAPTER III MANAGEMENT ORGANIZATION OF EXTERNAL INVESTMENT**

**Article 7** The department of the Company responsible for external investment management shall conduct feasibility research and evaluation for the Company's external investment projects.

- (i) Prior to establishing a project, such department shall first thoroughly consider the scale and scope of the current business development of the Company and the project, industry, time and expected returns of the external investment; then it shall conduct research on and collect information of the investment project; finally, it shall analyze and discuss on the collected information and propose investment opinion and submit the same to the board of directors or the chairman of the Company for filing.
- (ii) Subsequent to the establishment of a project, such department is responsible for establishing an investment project evaluation team to conduct feasibility analysis and evaluation of the established investment project, and may engage qualified intermediaries to participate in the evaluation. The evaluation shall take into full consideration various national regulations on external investment and ensure that such investment is in compliance with the Company's internal rules and policies, such that all external investment activities may proceed legally.

**Article 8** The strategy committee under the board of directors of the Company is a specialized procedural organization under the board of directors, which is responsible for coordinating and organizing the analysis and research on external investment projects and providing suggestion for decision-making.

**Article 9** The finance department of the Company is responsible for finance management of external investment. Subsequent to the confirmation of an external investment project, the Company's finance department shall raise funds, coordinate with relevant parties to handle, among others, capital contribution procedures, industrial and commercial registration, tax registration and opening of bank accounts, and implement stringent borrowing, approval and payment procedures.

**Article 10** The department of the Company responsible for external investment management shall conduct daily management of the Company's long-term equity investment, and shall supervise external investment projects of the Company. Resolutions, contracts, agreements and external investment equity certificates, etc. generated during the process of investment shall be kept by designated personnel with detailed archival records. Unauthorized personnel shall have no access to the equity certificates.

**Article 11** The finance department shall be responsible for conducting compliance examination for external investment projects of the Company.

## CHAPTER IV IMPLEMENTATION AND CONTROL

**Article 12** In formulating external investment plans, the Company shall consider a variety of opinions and suggestions from the experts in the evaluation team and relevant departments and personnel, and focus on the key indicators of decision-making on external investments, such as cash flow, the time value of currency and investment risks. Upon taking into full consideration of the project investment risks and expected returns on investment, and balancing the advantages and disadvantages in all aspects, the most optimal investment plan shall be selected.

**Article 13** After being resolved on and approved by the general meeting and board of directors of the Company or being decided by the chairman, details such as the timing, amount, method and responsible personnel of capital contribution shall be determined in the implementation plan of external investment project. Changes to the implementation plan of external investment project shall be subject to consideration and approval by the general meeting, the board of directors or the chairman of the Company.

**Article 14** Upon obtaining the approval for external investment, the authorized department or personnel shall be responsible for the specific implementation of the external investment plans, entering into contracts and agreements with the investee and dealing with specific operational matters related to transfer of property. Prior to entering into the investment contract or agreement, the Company shall not make investment payments or transfer the investment assets; upon completion of an investment, the Company shall obtain the investment certificates or other valid evidence issued by the investee.

**Article 15** For external investment made by the Company with tangible assets or intangible assets, such assets shall be valued by an asset valuer with relevant qualifications, and the valuation results shall be resolved on by the general meeting and the meeting of the board of directors or decided by the chairman of the Company before making external capital contribution.

**Article 16** Upon the implementation of external investment project, the Company shall dispatch representatives to the investee companies to serve as shareholders' representative, director, supervisor, financial controller or other senior management members, in order to carry out follow-up management of the investment projects, and keep track on the financial positions and business conditions of the investee companies in a timely manner. Upon identifying an abnormal condition, the representative shall report to the chairman or the general manager on a timely basis and take measures accordingly.

**Article 17** The finance department of the Company shall be responsible for strengthening the control over income from external investment. Interests, dividends and other gains from external investments shall be included in the Company's financial accounting system. Concealed accounts are strictly prohibited.

**Article 18** In addition to preparing the general accounts for external investments, the Company's finance department shall also prepare respective breakdown statements of external investments based on the type of business in chronological order, reconcile relevant investment accounts with investees regularly and irregularly and ensure the accuracy of the investment business records and the security and integrity of external investments.

**Article 19** The Company's department responsible for external investment management shall strengthen the management of external investment archives and ensure the security and integrity of various documents such as resolutions, contracts, agreements and external investment equity certificates.

#### **CHAPTER V DISPOSAL OF INVESTMENT**

**Article 20** The Company may withdraw or dispose of its external investments upon occurrence of one of the following circumstances:

- (i) The term of operation of the investment project (enterprise) has expired in accordance with the contract or articles of association of the invested project (enterprise), and the Company does not agree on extension of term of operation;
- (ii) The investment project (enterprise) becomes unable to repay its debts as they fall due and enters into bankruptcy in accordance with relevant laws due to poor performance of operation;
- (iii) The investment project (enterprise) has incurred substantial loss, and the board of directors and the general meeting of the investee consider that continuing operation is not in the best interest of such investment project (enterprise), thus agreeing on early dissolution or termination;
- (iv) The project (enterprise) becomes unable to continue its operations due to force majeure;
- (v) The contributing parties and partners of the investment project (enterprise) unanimously agree on early dissolution or termination;
- (vi) Occurrence of other circumstances under which the investment shall be terminated as required by relevant laws, administrative regulations and provisions of the contract;
- (vii) Occurrence of other circumstances which lead to termination of the investment project (enterprise).

**Article 21** The Company may transfer its external investments upon occurrence of one of the following circumstances:

- (i) The investment project has demonstrated an obvious deviation from the Company's operating direction;
- (ii) The investment project has incurred continuous losses and lacks market prospects with no hope of turning from loss to profit;
- (iii) Replenishment of funds is urgently required due to insufficient funds for its own operations;
- (iv) Transfer due to operation needs or strategic arrangement;
- (v) Other circumstances considered necessary by the Company.

**Article 22** The Company shall strengthen control over disposal of assets of external investment projects, and the withdrawal, transfer and write-off of external investment and other matters are subject to the amount limit requirements of this regulation, the Listing Rules, the Articles of Association and other relevant rules, and shall be resolved on by the general meeting and the board of directors or decided by the chairman of the Company before implementation.

**Article 23** Upon the termination of an external investment project of the Company, the properties, rights as creditor and debts of the investee shall undergo comprehensive inventory inspection according to relevant national regulations on enterprise liquidation, during the liquidation process, attention shall be paid to behaviors such as illegal withdrawing and transfer of funds, unauthorized share of assets or unauthorized share of assets in disguised form and indiscriminate issuance of bonuses and allowances. After the liquidation, attention shall be paid to whether all assets and rights as creditor have been recovered in time and undergone accounting procedures.

**Article 24** When writing off external investment, the Company shall obtain legal instruments and documentary evidence related to inability to recover the investment due to bankruptcy of investee or other reasons.

**Article 25** The Company's finance department shall carefully review the approval documents, minutes of the meetings and lists of asset recovery and other materials relevant to the disposal of external investment assets, and conduct accounting treatments for disposal of external investment assets according to relevant regulations on a timely basis to ensure the truthfulness and legality of disposal of assets.

#### **CHAPTER VI FOLLOW-UP AND SUPERVISION**

**Article 26** Subsequent to the implementation of an external investment project, the Company's department responsible for external investment management shall follow up and evaluate the investment results. Within three years from the implementation of the project, the Company's department responsible for external investment management shall at least provide annual written reports to the board of directors on the implementation of the project, including but not limited to whether: the investment direction is correct, the investment amount is in place, it matches the budget, there are any changes in the shareholding, there are any changes in the investment environment and policies and there are any major differences from the statement in the feasibility research report; and provide opinions on dealing with relevant matters to the board of directors of the Company based on identified issues or operational anomalies.

**Article 27** The supervisory committee and internal audit department of the Company exercise the right of supervision and inspection over external investment activities.

**Article 28** The scope of supervision and inspection conducted by the internal audit department over external investment activities mainly includes:

- (i) the setting of relevant positions and personnel related to the investment business, focusing on whether there is any individual assuming more than two incompatible functions.
- (ii) the implementation of the investment authorization and approval system, focusing on whether the authorization and approval procedure for external investment business is effective and whether there is any ultra vires approval.
- (iii) the legality of the investment plan, focusing on whether there is any illegal external investment.
- (iv) the safekeeping of relevant legal documents including the authorization documents, contracts and agreements of the investment activities.
- (v) the verification of investment projects, focusing on whether the original certificates are true, legal, accurate and intact, whether the accounting items are accurate and whether accounting is accurate and integral.
- (vi) the use of investment funds, focusing on whether the funds are used as planned and as budgeted, and whether there is any extravagance and waste, embezzlement and diversion of funds.
- (vii) the safekeeping of investment assets, focusing on whether there is inconsistency between the accounting records and the actual situation.
- (viii) disposal of investment, focusing on whether the approval procedure of disposal of investment is accurate, and whether the process is true and legal.

#### **CHAPTER VII INFORMATION DISCLOSURE OF EXTERNAL INVESTMENT**

**Article 29** The Company shall perform the obligation of information disclosure for its external investment in strict accordance with the requirements of the CSRC, the Shenzhen Stock Exchange, the Articles of Association and other relevant provisions.

**Article 30** The office of secretary to the board of directors and subsidiaries of the Company shall report to the Company on external investment and assist the Company in carrying out information disclosure of external investment.

**Article 31** The board of directors of the subsidiaries shall designate a liaison officer who shall be responsible for information disclosure of subsidiaries and communication with the secretary to the board of directors of the Company.

**Article 32** Before disclosure of external investment, each insider shall perform the responsibility and obligation of confidentiality.

**CHAPTER VIII SUPPLEMENTARY PROVISIONS**

**Article 33** For matters not covered by this regulation or conflict with the laws, regulations, the Listing Rules or the Articles of Association issued or amended after this regulation becomes effective, provisions of such laws, regulations, the Listing Rules and the Articles of Association shall prevail.

**Article 34** Any amendment to this regulation shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 35** This regulation is subject to the interpretation by the board of directors of the Company.

**Article 36** After being considered and approved by the general meeting of the Company, this regulation shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange.

CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
WORKING RULES OF INDEPENDENT DIRECTORS

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to further improve the governance structure of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”), facilitate the standardized operation of the Company, practically safeguard the interests of shareholders and effectively avert the risks associated with decision-making of the Company, the Company has formulated these rules according to the Company Law of the People’s Republic of China (the “Company Law”), the Code of Corporate Governance for Listed Companies, the Guidelines on Establishment of Independent Director System by Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Guidelines on Compliant Operation of Listed Companies of the ChiNext of the Shenzhen Stock Exchange, the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other laws and regulations, departmental rules and business codes.

**Article 2** The independent directors referred to in these rules represent the directors who do not have any position in the Company other than serving as a director and are not related to the Company and its substantial shareholders in a way that may prevent them from exercising independent and objective judgments.

**Article 3** Independent directors shall have the obligation of fidelity and diligence to the Company and all shareholders.

**Article 4** Independent directors shall, according to the requirements of relevant laws and regulations, the Articles of Association and these rules, conscientiously perform their duties and responsibilities, safeguard the Company’s interests as a whole and, in particular, ensure that the legitimate rights and interests of minority shareholders are not jeopardized. Independent directors shall perform their duties and responsibilities independently without influence from the controlling shareholders and de facto controllers of the Company or other entities or individuals who may be interested in the Company. In the event that the independence of any independent director is affected by a resolution to be considered, such director shall make a declaration and abstain from discussion and voting. In the event that the independence of an independent director is apparently affected by any condition during his/her office, such director shall make a declaration and abstain from discussion and voting. In the event that the independence of an independent director is apparently affected by any condition during his/her office, such director shall inform the Company in a timely manner and propose a solution or tender resignation when necessary.

**Article 5** The independent directors can concurrently serve as the independent directors of not more than five listed companies (including the Company) in principle, and shall ensure that they have sufficient time and energy to effectively perform their duties as independent directors.

**Article 6** Independent directors and the persons proposed to be appointed as independent directors shall participate in training courses arranged by the CSRC and the institutions authorized thereby in accordance with the requirements of the CSRC.



**Article 7** Unless otherwise specified in these rules, the provisions in the Articles of Association in relation to directors shall apply to independent directors.

## **CHAPTER II COMPOSITION OF INDEPENDENT DIRECTORS**

**Article 8** At least one third of the board of directors shall be independent directors, and at least one of the independent directors shall be an accounting professional. An accounting professional represents a person who holds a senior title of accounting profession or qualification of certified public accountant.

**Article 9** A candidate to independent director nominated with qualification of accounting professional shall have extensive accounting knowledge and experience and meet at least one of the following conditions:

- (i) such candidate holds a qualification of certified public accountant;
- (ii) such candidate holds a senior title, associate professor title or doctor degree in accounting, auditing or financial management;
- (iii) such candidate holds a senior title in economic management, and has over 5 years of full-time working experience in professional positions such as accounting, auditing or financial management.

**Article 10** Where an independent director fails to meet the conditions for independence or is not fit to perform the duties and responsibilities of an independent director for other reasons and, as a result, the number of independent directors fails to reach the quorum as required by relevant laws and regulations and these rules, the Company shall fill the vacancy according to relevant provisions.

## **CHAPTER III QUALIFICATION REQUIREMENTS OF INDEPENDENT DIRECTORS**

**Article 11** To be eligible as an independent director, a person shall:

- (i) possess the qualifications for company directorships in accordance with relevant laws, administrative regulations, the Listing Rules and other relevant provisions;
- (ii) possess the independence required under Article 12 of these rules;
- (iii) possess basic knowledge on the operations of a listed company, and be familiar with relevant laws, administrative regulations, systems and rules;
- (iv) possess over five years of working experience in legal and economic fields or otherwise required for his/her performance of duties as an independent director;
- (v) other conditions as specified by relevant laws and regulations, the Listing Rules and the Articles of Association.

**Article 12** Independent directors must possess independence, and the following persons are not allowed to serve as independent directors of the Company:

- (i) persons employed by the Company or its subsidiaries and their immediate family members and main social relations (immediate family members refer to spouses, parents, sons and daughters, etc.; main social relations refer to siblings, fathers-in-law, mothers-in-law, daughters-in-law, sons-in-law, spouses of siblings, siblings of spouses, etc.);
- (ii) persons directly or indirectly holding more than 1% of the issued shares of the Company or is a natural person shareholder among the ten largest shareholders of the Company and their immediate family members;
- (iii) persons employed by shareholders directly or indirectly holding more than 5% of the issued shares of the Company or the five largest shareholders of the Company and their immediate family members;
- (iv) persons employed by the Company's de facto controllers and their subsidiaries;
- (v) persons who provide financial, legal, consultancy or other relevant services to the Company and its controlling shareholders or their respective subsidiaries, including all members of the project team of intermediaries, reviewing officers at all levels, persons signing the report, partners and principal officers in charge;
- (vi) persons who serve as directors, supervisors or senior management members in the companies which have significant business relations with the Company and its controlling shareholders or their respective subsidiaries, or persons who serve as directors, supervisors or senior management members in the controlling shareholders of the said companies;
- (vii) persons who fall into the categories set out in items (i) to (vi) above within the preceding year;
- (viii) other persons who shall not serve as independent directors of the Company as required by the Articles of Association, the Listing Rules, other laws and regulations and normative documents;
- (ix) other persons who shall not serve as independent directors of the Company as determined by the CSRC and the Shenzhen Stock Exchange.

**Article 13** Other persons who shall not serve as independent directors of the Company as required by other laws and regulations and normative documents as referred to in item (viii) of Article 12 mainly include:

- (i) civil servants as required by the Civil Servant Law of the People's Republic of China;
- (ii) relevant persons as required by the Notice on Regulating State Officials' Service as Independent Directors and Independent Supervisors of Listed Companies and Fund Management Companies after Resignation or Retirement issued by the CPC Central Commission for Discipline Inspection and Organization Department of the CPC Central Committee;
- (iii) members of leader team of colleges and universities as required by the Opinions on Strengthening the Anti-corruption and Promotion of Honesty and Integrity in Colleges and Universities issued by the CPC Central Commission for Discipline Inspection, the Ministry of Education and the Ministry of Supervision.

**Article 14** Independent directors shall not have any of the following adverse records:

- (i) having been subject to administrative punishment by the CSRC in the past three years;
- (ii) being in the period that publicly identified by the stock exchanges as not fit to serve as director of a listed company;
- (iii) having been publicly condemned or criticized twice or more by the stock exchanges in the past three years;
- (iv) during the term of office as an independent director, he/she fails to attend the meetings of the board of directors for two consecutive times or fails to attend the meetings of the board of directors in person for more than one third of the meetings of the board of directors in the current year;
- (v) the independent opinions expressed during his/her term of office as an independent director are obviously inconsistent with the facts.

CHAPTER IV NOMINATION, ELECTION AND REPLACEMENT OF  
INDEPENDENT DIRECTORS

**Article 15** The independent directors shall be nominated by the board of directors, the supervisory committee and the shareholders who individually or jointly hold 1% or more of issued shares of the Company, and shall be elected at the general meeting.

**Article 16** The nominators of independent directors shall obtain consent from the nominees before such nomination. The nominator shall have full knowledge of the occupation, academic qualifications, professional title, detailed working experience, and history of all part-time jobs of the nominee, etc., and shall express opinions on the nominee's qualifications and independence as an independent director. The nominee shall also make a public declaration stating that there is no such relationship between the nominee and the Company which may affect his or her independent and objective judgments.

The board of directors of the Company shall disclose the above information as required before convening a general meeting for election of independent directors.

**Article 17** Before convening a general meeting for election of independent directors, the Company shall submit related materials of all nominees (including but not limited to statements of the nominator and the nominees and the biographical details of the independent directors) to the CSRC, the securities regulatory bureau of the Company's place of registration and the Shenzhen Stock Exchange. Challenges made by the board of directors against such nominees, if any, shall also be submitted in written form. When issuing the notice of general meeting for election of independent directors, the Company shall expressly disclose that the resolution on election of independent directors shall be submitted to the general meeting for consideration after the information of candidates to independent directors are filed with and approved by the Shenzhen Stock Exchange.

**Article 18** In the event that the CSRC and the Shenzhen Stock Exchange challenge against the nominee, such nominee may be candidate to director of the Company but shall not be candidate of independent director. When convening the general meeting for election of independent directors, for the nominees challenged by the CSRC and the Shenzhen Stock Exchange, the board of directors of the Company shall explain such challenge at the general meeting, and state that such nominee will not be treated as candidate to independent director.

**Article 19** The independent directors shall serve the same term as that of other directors of the Company, and may serve consecutive term upon the expiration of his/her term if re-elected, but the consecutive term shall not exceed six years, unless otherwise required by relevant laws, regulations and listing rules of the stock exchange where the Company's shares are listed.

**Article 20** If any independent director fails to attend the meeting of board of directors in person for three consecutive times, the board of directors shall submit to the general meeting to replace such director.

Independent director shall not be removed without cause before the expiration of his/her term, except for the aforementioned circumstances or a circumstance under which a person shall not serve as a director as specified in the Company Law. In case of early dismissal, the Company shall disclose it as a special matter, and in case the removed independent director is of the view that the Company's grounds for removal are inappropriate, he/she can make relevant public statement.

**Article 21** An independent director may resign before the term of his/her office expires. The independent director shall submit a written resignation report to the board of directors and explain on the circumstances related to the resignation or those that he/she considers necessary to be brought to the attention of shareholders and creditors of the Company.

If the resignation of the independent director causes the number of independent directors in the board of directors to become less than the minimum number required by relevant laws and regulations, the Articles of Association and these rules, the resignation report of such independent director shall take effect after the subsequently appointed independent director fills the vacancy.

#### **CHAPTER V DUTIES AND RESPONSIBILITIES OF INDEPENDENT DIRECTORS**

**Article 22** Independent directors shall attend board meetings as scheduled, understand the production and operating conditions of the Company, and proactively carry out such investigations and obtain such information as may be necessary for decision-making.

**Article 23** Independent directors shall have the following special powers in addition to those vested to directors of the Company:

- (i) related party transactions subject to consideration and approval at the general meeting shall be approved by independent directors before being submitted to the board of directors for discussion. Before making a judgement, independent directors may engage an intermediary to issue the independent financial adviser's report;
- (ii) to propose to the board of directors for the appointment or dismissal of accounting firms;
- (iii) to propose to the board of directors for the convening of extraordinary general meeting;
- (iv) to collect opinions from minority shareholders and propose the profit distribution plan and directly submit the same to the board of directors for consideration;
- (v) to propose the convening of board meetings;
- (vi) to independently engage external auditing firms and consultancy firms;
- (vii) to openly solicit and collecting voting rights before the convening of a general meeting, but no consideration or other form of actual consideration shall be involved in the solicitation and collection;
- (viii) other powers granted by applicable laws, administrative regulations, rules, the Listing Rules and the Articles of Association.

**Article 24** To exercise the special powers of independent directors in Article 23 of these rules, the consents of more than half of all independent directors shall be secured.

**Article 25** In the event that any of the aforesaid proposals are not adopted or any of the aforesaid powers cannot be exercised properly, the Company shall disclose the details thereof.

**Article 26** In addition to performing the aforesaid duties, independent directors shall also express their independent opinions to the board of directors or the general meeting on the following matters:

- (i) nomination, appointment and removal of directors;
- (ii) appointment or removal of senior management members;
- (iii) remuneration of directors and senior management members;
- (iv) formulation, adjustment, decision-making procedure, implementation and information disclosure of the Company's cash dividend policy and whether the profit distribution policy jeopardizes the legitimate rights and interests of minority investors;
- (v) material events, such as discloseable related party transactions, external guarantee (excluding guarantees provided to subsidiaries included in consolidated financial statements), entrusted wealth management, provision of financial assistance to external parties, change in use of proceeds, change in accounting policies initiated by the Company and investments in shares and its derivatives;
- (vi) the existing or new loans or other capital transaction between the Company and its shareholders, de facto controllers and their affiliates with a total amount in excess of RMB3 million and 5% of the Company's latest audited net assets, and whether the Company has taken effective measures to recover the outstanding amounts;
- (vii) major asset restructuring plan, share incentive scheme, employee stock ownership scheme and share repurchase plan;
- (viii) the Company decides to cease trading of its shares on the Shenzhen Stock Exchange, or applies for its listing and trading on other stock exchange or transfer;
- (ix) matters that are deemed by independent directors to be detrimental to the interests of minority shareholders;
- (x) other matters required by laws, administrative regulations, departmental rules, normative documents, operation rules of the Shenzhen Stock Exchange and the Articles of Association.

**Article 27** Independent directors shall express one of the following types of opinions in respect of the matters set out in Article 26 of these rules:

- (i) consent;
- (ii) qualified opinion and the reasons thereof;
- (iii) objection and the reasons thereof;
- (iv) inability to express an opinion and the reasons thereof.

**Article 28** If relevant matters set out in Article 26 of these rules are subject to disclosure, the Company shall make an announcement of the opinions of independent directors. If independent directors fail to reach a consensus, the board of directors shall disclose the opinion of each of the independent directors.

**Article 29** During the period of preparation of annual report, the independent directors shall fully communicate with the management of the Company and understand the production, operation and compliance matters of the Company and conduct on-site inspection as far as possible.

In auditing of annual report, the independent directors shall perform the following duties:

- (i) Before the accounting firm conducts annual audit, independent directors shall communicate with the audit committee to understand the work arrangement and other relevant information related to annual audit. In particular, special attention shall be paid to the results forecast of the Company and any changes thereof.
- (ii) Before convening the board meeting for consideration of preliminary audit opinion issued by the accounting firm, the independent directors shall meet with the accounting firm to discuss on the issues identified in audit process.

**Article 30** Independent directors shall submit the work report at the annual general meeting of the Company.

#### CHAPTER VI WORKING CONDITIONS OF INDEPENDENT DIRECTORS

**Article 31** For the purpose of effective execution of the duties of the independent directors, the Company shall provide working conditions necessary for performance of duties of independent directors.

**Article 32** The secretary to the board of directors of the Company shall actively offer assistance to independent directors to facilitate their work. With regard to independent opinions, proposals and written statements made by independent directors which shall be announced, the secretary to the board of directors shall make timely arrangement with the Shenzhen Stock Exchange for such announcement.

**Article 33** The Company shall ensure that independent directors have the same right of access to information as other directors. For any matter that are subject to decision by the board of directors, the Company shall inform the independent directors in advance within the prescribed period of time and provide sufficient information. If independent directors are of the view that the information provided is insufficient, they may request for supplementary information. When two or more independent directors consider the information provided as insufficient or inadequately explained, they may jointly propose to the board of directors in writing for a postponement of the board meeting or for a postponement of consideration of the matters concerned. Such proposal shall be adopted by the board of directors.

Materials provided by the Company to independent directors shall be kept by the Company and the independent directors respectively for at least five years

**Article 34** In the exercise of powers by the independent directors, the relevant personnel of the Company shall actively cooperate with them, and shall not reject, hinder or conceal, or interfere with their exercise of powers independently.

**Article 35** Expenses incurred for engaging intermediaries by independent directors or other expenses arising out of exercise of power by independent directors shall be borne by the Company.

**Article 36** The Company shall offer appropriate allowances to independent directors. The standard of such allowances shall be proposed by the board of directors for consideration and approval by the general meeting and shall be disclosed in the Company's annual report.

In addition to the said allowances, independent directors shall not receive any other additional and undisclosed advantages from the Company, substantial shareholders of the Company or stakeholders (entities or individuals) of the Company.

#### **CHAPTER VII SUPPLEMENTARY PROVISIONS**

**Article 37** For matters not covered by these rules or conflict with the laws, regulations, the Listing Rules or the Articles of Association issued or amended after these rules become effective, provisions of such laws, regulations, the Listing Rules and the Articles of Association shall prevail.

**Article 38** Unless otherwise specified, terms used in these rules shall have the same meaning as those in the Articles of Association.

**Article 39** Any amendment to these rules shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 40** These rules are subject to the interpretation by the board of directors of the Company.

**Article 41** After being considered and approved by the general meeting of the Company, these rules shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange.



CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
REGULATION ON MANAGEMENT OF PROCEEDS FROM FUND RAISING ACTIVITY

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to regulate the management and use of proceeds from fund raising activities of Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and safeguard the legitimate rights and interests of all investors (minority investors in particular), the Company has formulated this regulation according to the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Guidelines on Compliant Operation of Listed Companies of the ChiNext of the Shenzhen Stock Exchange (the “Compliant Operation Guidelines”), the Guidelines on the Supervision and Administration of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies and the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other relevant laws and regulations, departmental rules and business codes based on the actual situation of the Company.

**Article 2** The proceeds referred to in this regulation represent the funds raised from investors and used for specific purposes by the Company through public issuance of securities (including initial public offering of shares, rights issue, placement, issuance of convertible corporate bonds, convertible corporate bonds for separate transactions, warrants, etc.) and non-public issuance of securities.

**Article 3** Proceeds subject to information disclosure shall be disclosed according to relevant laws and regulations and the Information Disclosure Management Measures of Changsha Broad Homes Industrial Group Co., Ltd.

**Article 4** The directors, supervisors and senior management of the Company shall be diligent and responsible, urge the Company to regulate the use of proceeds, consciously safeguard the safety of the Company’s assets, and shall not participate in, assist or condone the Company to alter the use of proceeds without authorization or in disguise.

**Article 5** The Company shall use the proceeds carefully to ensure consistency with the use as committed in the public offering prospectus or capital raising prospectus. Investment direction of proceeds shall not be changed arbitrarily.

The Company shall make true, accurate and complete disclosure of the actual use of proceeds and shall engage an accounting firm to conduct verifications against the deposit and use of proceeds when preparing the annual audit.

**Article 6** Sponsor(s) shall, in the period of continuous supervision, perform the responsibility of sponsorship with respect to the management of proceeds of the Company, and perform continuous supervision on the management of proceeds of the Company according to the requirements of the Administrative Measures on Sponsorship for Securities Issuance and Listing, the Guidelines on Sponsorship of Listed Companies of the Shenzhen Stock Exchange and the Compliant Operation Guidelines.

**Article 7** This regulation shall apply to investment projects financed by the proceeds and implemented through the Company's subsidiaries or other entities controlled by the Company.

#### **CHAPTER II DEPOSIT OF PROCEEDS**

**Article 8** The Company's proceeds shall be deposited in a centralized way to facilitate supervision and management.

**Article 9** The Company shall carefully select a commercial bank and open a designated account for the proceeds (the "Designated Account"). The proceeds shall be subject to centralized management in a Designated Account determined by the board of directors of the Company, and this Designated Account shall not be used to deposit funds other than the proceeds or used for other purposes.

Where the Company has conducted two or more financing activities, separate Designated Accounts shall be set up for the proceeds.

The excess of actual net proceeds over the planned amount of proceeds (the "Excess Proceeds") shall also be deposited in the Designated Account for management of proceeds.

**Article 10** A tripartite regulatory agreement shall be entered into by the Company, the sponsor and the commercial bank in which the proceeds are deposited (the "Commercial Bank") within one month upon receipt of the proceeds. Such agreement shall contain at least the following details:

- (i) The Company shall deposit all proceeds into the Designated Account(s);
- (ii) Account number(s) of the Designated Account(s), the projects financed by the proceeds in the Designated Account(s) and the amount deposited;
- (iii) In the event that the Company make withdrawal from the Designated Account(s) an aggregate of more than RMB50 million or 20% of the total amount of proceeds after deducting the issue expenses (the "Net Proceeds") in one lump-sum or in any 12 consecutive months, the Company and the Commercial Bank shall notify the sponsor in a timely manner;
- (iv) The Commercial Bank shall issue a statement of account movements to the Company on a monthly basis, with a copy provided to the sponsor;
- (v) The sponsor may at any time inquire information on the Designated Account(s) at the Commercial Bank;
- (vi) Supervision responsibility of the sponsor, notification and cooperation responsibilities of the Commercial Bank, and methods of the sponsor and the Commercial Bank for supervision of use of proceeds by the Company;
- (vii) The rights, obligations and liabilities for breach of contract of the Company, the Commercial Bank and sponsor;

(viii) In the event of the Commercial Bank's failure, for three times, to timely provide reconciliation statements or notify the sponsor on large lump sum withdrawal from the Designated Account(s), and failure to meet the sponsor's request to inquire and investigate into information on the Designated Account(s), the Company may terminate the agreement and cancel such Designated Account(s) for proceeds.

Where the Company implements an investment project financed by the proceeds through a controlling subsidiary, the Company, the controlling subsidiary that implements the investment project financed by the proceeds, the Commercial Bank and the sponsor shall jointly sign a tripartite regulatory agreement in which the Company and its controlling subsidiary shall be treated as one party.

Upon signing of the agreement by all parties, the Company shall file with the Shenzhen Stock Exchange and publish an announcement on major terms of such agreement in a timely manner.

In the event of early termination of the above agreement before expiry, the Company shall enter into a new agreement with relevant parties within one month from the date of termination of the agreement and publish an announcement after filing with the Shenzhen Stock Exchange in a timely manner.

### CHAPTER III USE OF PROCEEDS

**Article 11** The Company shall use the proceeds in accordance with the investment plan for the proceeds as committed in the issuance application documents. In the event of serious impact on the normal implementation of the investment plan for the proceeds, the Company shall report to the Shenzhen Stock Exchange and make relevant announcement in a timely manner.

**Article 12** The proceeds raised by the Company shall be used for the purposes specified in the public offering prospectus or capital raising prospectus. Any changes in use of proceeds specified in the public offering prospectus or capital raising prospectus shall be considered and approved by the general meeting.

**Article 13** The proceeds raised by the Company shall, in principle, be utilized for principal businesses. Investment projects financed by the proceeds shall not be in the form of holding of financial assets for trading and available-for-sale financial assets, lending to others or financial investments such as entrusted wealth management, and shall not make direct or indirect investment in companies which are principally engaged in trading of marketable securities.

The Company shall not use the proceeds for pledge, entrusted loan or other investments that change the intended use of proceeds in disguise.

**Article 14** The Company shall ensure the truthfulness and fairness of the use of proceeds to avoid misuse and misappropriation by related parties such as controlling shareholders and de facto controllers, and take effective measures to prevent related parties from gaining improper benefits through the investment projects financed by proceeds.

**Article 15** The board of directors of the Company shall comprehensively verify the progress of the investment projects financed by the proceeds every six months.

In the event of discrepancy of more than 30% between the actual annual amount of proceeds used under the investment project financed by the proceeds and the expected annual amount of proceeds to be used as set out in the latest disclosed investment plan of proceeds, the Company shall adjust the investment plan of proceeds and make disclosure in the special report for deposit and use of proceeds during the year regarding the latest annual investment plan of proceeds, current actual investment progress, expected investment plan by years after adjustment, and reasons for the changes in investment plan, etc.

**Article 16** If any of the following circumstances occurs in respect of the investment project financed by the proceeds, the Company shall reassess the feasibility, expected income and other relevant matters of the project, and decide whether to continue to implement the project:

- (i) Any material changes in the market environment related to the investment project financed by the proceeds;
- (ii) The investment project financed by the proceeds has been left idled for more than one year;
- (iii) The deadline set out in the latest investment plan of proceeds has expired and the amount of proceeds invested is less than 50% of the amount as set out in the relevant plan;
- (iv) Any other anomalies occurred in the investment project financed by the proceeds.

The Company shall disclose in the latest periodic report the progress of the project, the reasons for the anomalies, and the adjusted investment plan of proceeds (if any).

**Article 17** In the event that the Company decides to terminate the original investment project financed by the proceeds, it shall select a new investment project in a reasonable manner as soon as practicable.

**Article 18** In the event that the Company replaces the self-raised funds invested in advance in a project with the proceeds, the replacement shall be subject to consideration and approval by the board of directors of the Company, issuance of assurance report by an accounting firm, the expressed consents given by the independent directors, the supervisory committee and the sponsor, and the performance of information disclosure obligations on the part of the Company. The period between the time of replacement and the time of receipt of proceeds shall not exceed 6 months.

In the event that the Company has disclosed its intention to replace the self-raised funds invested in advance with the proceeds in the offering application documents and the amount invested in advance is certain, it shall publish a public announcement before such replacement.

**Article 19** Any proposed change in the location and form of implementation of the investment project financed by the proceeds is subject to consideration and approval by the board of directors, and the Company shall report to the Shenzhen Stock Exchange and make an announcement within two trading days, stating the change, the reasons of change, the impact on implementation of the investment project financed by the proceeds and the opinions of the sponsor.

**Article 20** Where the Company's idle proceeds are temporarily used to replenish its working capital, such matter shall be subject to consideration and approval by the board of directors, the expressed consents given by the independent directors, the supervisory committee and the sponsor and disclosure, and shall meet the following conditions:

- (i) the use of proceeds shall not be changed in disguised form and the normal implementation of investment plan of proceeds shall not be affected;
- (ii) the proceeds previously used for temporary replenishment of working capital have been repaid (if applicable)
- (iii) the period for a single replenishment of working capital shall not exceed 12 months.

When the idle proceeds are used to replenish working capital, the use of which shall be limited to the production and operation related to the principal business, and the proceeds shall not be used directly or indirectly for the placement of new shares, purchase of new shares, or for trading of shares and their derivatives, convertible corporate bonds, etc.

**Article 21** Where the Company use the idle proceeds to replenish its working capital, such matter shall be subject to consideration and approval by the board of directors, and the Company shall announce the following information within two trading days:

- (i) General information of the proceeds, including the time of raising, the total amount and net amount of proceeds and the investment plan;
- (ii) Utilization of proceeds, details and reason of the idle proceeds;
- (iii) Amount and period in which the idle proceeds are used to replenish working capital;
- (iv) Amount of expected finance cost to be saved through using idle proceeds to replenish working capital, causes of insufficient working capital, whether there is a disguised change in the investment direction of proceeds, and measures to ensure that the normal operation of the project financed by the proceeds will not be affected;
- (v) Opinions expressed by independent directors, supervisory committee and sponsor;
- (vi) Other information as required by the Shenzhen Stock Exchange.

The Company shall, prior to the maturity date of the replenishment of working capital, return such part of the funds to the Designated Account for the proceeds and make announcement within two trading days after returning the funds in full.

**Article 22** Where the Excess Proceeds reach or exceed the amount of proceeds planned to be raised, the Company shall duly arrange the plan of use of the Excess Proceeds based on the Company's development plan and actual production and operation requirements, and shall submit to the board of directors for consideration and approval before timely disclosure.

Independent directors and sponsor shall provide independent opinions on the rationality and necessity of the plan of use of the Excess Proceeds, which shall be disclosed at the same time with the relevant announcements of the Company. If such matter is subject to consideration and approval at the general meeting, it shall be submitted to the general meeting for consideration and approval.

**Article 23** Where the Company plans to use the Excess Proceeds to repay bank loans or replenish working capital, in addition to fulfilling the requirement under Article 22, it shall also meet the following requirements and disclose the following contents in the announcement:

- (i) The amount of Excess Proceeds used for permanent replenishment of working capital and the repayment of bank loans shall not exceed 30% of the total amount of Excess Proceeds in every twelve months;
- (ii) In the last 12 months, the Company has not used its own funds for holding financial assets held for trading and available-for-sale financial assets, lending to others or financial investments such as entrusted wealth management (except for cash management), or high-risk investments such as securities investment, derivative investment, venture capital investment;
- (iii) The Company undertakes not to make high-risk investments (including financial investments) or provide financial assistance to others within twelve months after repaying bank loans or replenishing working capital;
- (iv) Such matter is approved by more than two thirds of all directors of the board of directors and all independent directors and considered and approved at the general meeting of the Company;
- (v) The sponsor has verified on whether the plan of use of the Excess Proceeds meets the above conditions and provided expressed consent.

**Article 24** The use of Excess Proceeds to temporarily replenish the working capital shall be regarded as using idle proceeds to temporarily replenish the working capital.

**Article 25** The Company may use the temporarily idle proceeds (including Excess Proceeds) for cash management purposes and the investment products shall satisfy the following conditions:

- (i) The investment product shall have a high level of safety and satisfy the requirement of principal protection, and the issuer of the product shall be able to provide guarantee of principal protection;
- (ii) The investment products shall be of high liquidity and shall not affect the normal implementation of the investment plan of proceeds.

The investment products shall not be pledged and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than proceeds or for any other purposes. The Company shall promptly file with the Shenzhen Stock Exchange and make an announcement when it sets up or cancels a designated settlement account for the products.

**Article 26** In the event that the Company uses the idle proceeds to invest in products, such matter shall be subject to the consideration and approval of the board of directors as well as expressed consents by the independent directors, the supervisory committee and the sponsor.

The Company shall announce the following information within two trading days after the date of such board meeting:

- (i) General information of the proceeds, including the time of raising, the total amount and net amount of proceeds and the investment plan;
- (ii) Utilization of proceeds;
- (iii) Amount and period in which the idle proceeds are used to invest in products;
- (iv) Cause of idle proceeds, whether there is a disguised change in the use of proceeds, and measures to ensure that the normal operation of the project financed by the proceeds will not be affected;
- (v) Income distribution method and investment scope of the investment products, principal protection guarantee provided by the issuer of products and security analysis;
- (vi) Opinions expressed by independent directors, supervisory committee and sponsor.

Where the Company is faced with major risks such as the deterioration of financial position of the product issuer and the loss of product invested, the Company shall timely disclose the announcement with risk warning and state the risk control measures taken by the Company in order to ensure the fund security.

#### **CHAPTER IV CHANGE IN USE OF PROCEEDS**

**Article 27** Occurrence of the following events in the Company is deemed to be a change in the use of proceeds:

- (i) Cancellation of the original project financed by the proceeds and implementation of new project;
- (ii) Change in the subject of implementation of the project financed by the proceeds (except that the subject of implementation is changed from the Company to the Company's wholly-owned subsidiaries or vice versa);
- (iii) Change in the way in implementation of the project financed by the proceeds;
- (iv) Other situations considered by the Shenzhen Stock Exchange as a change in the use of proceeds.

**Article 28** Change in the use of the proceeds by the Company shall be subject to consideration and approval of the relevant resolution by the board of directors and the shareholders at general meeting.

**Article 29** The board of directors shall prudently analyze the feasibility of the new investment project financed by the proceeds after the proposed change and ensure that the investment projects have promising market prospects and profitability and can effectively avoid investment risks and enhance the efficiency of utilization of the proceeds.

The proceeds with change in use shall be invested in the principal business of the Company.

**Article 30** Where the Company proposes to change the use of proceeds, it shall report to the Shenzhen Stock Exchange and announce the following information within two trading days after being considered and approved by the board of directors:

- (i) Basic information of the original project and specific reasons for the change;
- (ii) Basic information, feasibility analysis, economic benefit analysis and risk warning in relation to the new project;
- (iii) Investment plan of the new project;
- (iv) Statement that the new project has been approved by relevant authorities or is pending approval from relevant authorities (if applicable);
- (v) Opinions of the independent directors, the supervisory committee and the sponsor on the change of use of proceeds;
- (vi) Statement that the change of use of proceeds is subject to consideration and approval at the general meeting;
- (vii) Other information as required by the Shenzhen Stock Exchange.

New project involving related party transactions, asset acquisition and external investment shall also be disclosed in accordance with the requirements of relevant rules.

**Article 31** Where the Company proposes to change the operation of a project financed by the proceeds to operation through joint venture, it shall prudently consider the necessity of a joint venture based on a thorough understanding of the basic information of the joint venture partners, and the Company shall be the controlling shareholder of the joint venture to ensure an effective control over the project financed by the proceeds.



**Article 32** If the Company changes the use of proceeds to acquire assets (including interests) of its controlling shareholders or de facto controllers, it shall ensure effective prevention of horizontal competition and reduction of related party transactions after the acquisition.

The Company shall disclose the reasons for the transactions with the controlling shareholders or de facto controllers, the pricing policy and basis of the related party transactions, the impact of the related party transactions on the Company and the solutions to the related problems.

**Article 33** Upon completion of a single or all investment projects financed by the proceeds, the use of a small amount of the Company's remaining funds (including interest income) for other purposes shall be subject to consideration and approval by the board of directors and the expressed consent of the sponsor.

Where the amount of remaining proceeds (including interest income) is less than RMB1 million or less than 1% of the committed investment amount of proceeds of a single project or all projects, it may be exempted from performing the procedure mentioned above, and the use thereof shall be disclosed in the annual report.

Where the Company's amount of remaining proceeds (including interest income) represents 30% or more of the planned funds of a single or all investment projects financed by the proceeds, it shall be submitted to the general meeting for consideration and approval.

#### **Chapter V MANAGEMENT AND SUPERVISION OF PROCEEDS**

**Article 34** The Company's accounting department shall set up ledger for the use of proceeds and record in detail the expenditure of proceeds and the investment made in the projects financed by the proceeds.

The Company's internal audit department shall check the deposit and use of proceeds at least once every quarter, and report the results to the board of directors in time.

**Article 35** Where the Company has used the proceeds in a particular year, the board of directors shall issue a special report on the deposit and use of proceeds for half-year and year, and engage an accounting firm to issue a verification report on the deposit and use of proceeds for the year.

In the event of discrepancy between the actual progress of the project financed by the proceeds and the investment plan, the Company shall provide detailed explanation. When idle proceeds are used for cash management in the current period, the Company shall disclose the gains for the reporting period and investment share, parties, product name, term and other information as at the end of the period.

The accounting firm shall conduct reasonable verification and form a verification conclusion as to whether the special report by the board of directors has been prepared in compliance with the Compliant Operation Guidelines and relevant format instructions issued and whether it gives a true view of the deposit and use of the proceeds for the year.

In the event that the conclusion is a “qualified conclusion”, “negative conclusion” or “unable to form a conclusion”, the board of directors of the Company shall conduct an analysis in respect of the reasons for the conclusion given by the accounting firm in the verification report, propose rectification measures and make disclosure in the annual report.

**Article 36** Independent directors of the Company shall pay attention to any material discrepancy between the actual use of the proceeds and the information disclosed by the Company. With the consent of more than half of the independent directors, they may engage an accounting firm to issue a verification report on the deposit and use of the proceeds. The Company shall actively cooperate in respect of such matter and bear the necessary expenses.

**Article 37** The sponsor shall conduct on-site inspection on the deposit and use of proceeds of the Company at least once every six months. At the end of each financial year, the sponsor shall issue and disclose a specific review report on the deposit and use of the proceeds of the Company for the year, and for material matters related to proceeds disclosed in the Company’s temporary announcement, the sponsor shall provide relevant opinion according to relevant requirements of the CSRC and the Shenzhen Stock Exchange, which shall be disclosed together with the relevant announcement of the Company.

In the event that the deposit and use of the proceeds of the Company are given a verification conclusion of “qualified conclusion”, “negative conclusion” or “unable to form a conclusion” by the accounting firm, the sponsor shall also conduct careful analysis on the reasons for the above verification conclusion by the accounting firm and express a clear review opinion in its review report.

**Article 38** The sponsor shall timely report to the Shenzhen Stock Exchange any material non-compliance or material risks in relation to management of proceeds of the Company identified in the on-site inspection.

## Chapter VI SUPPLEMENTARY PROVISIONS

**Article 39** In this regulation, the term “more than” includes the underlying number, and the term “less than” excludes the underlying number.

**Article 40** For matters not covered by this regulation or conflict with the laws, regulations, the Listing Rules, the Compliant Operation Guidelines or the Articles of Association issued or amended after this regulation becomes effective, provisions of such laws, regulations, the Listing Rules, the Compliant Operation Guidelines and the Articles of Association shall prevail.

**Article 41** Any amendment to this regulation shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 42** This regulation is subject to the interpretation by the board of directors.

**Article 43** After being considered and approved by the general meeting of the Company, this regulation shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange.

CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.  
REGULATION ON GOVERNING THE TRANSFER OF FUNDS WITH RELATED PARTIES

## CHAPTER I GENERAL PROVISIONS

**Article 1** In order to regulate the transfer of funds between Changsha Broad Homes Industrial Group Co., Ltd. (the “Company”) and its controlling shareholders, de facto controllers and other related parties, prevent the misappropriation of the Company’s funds by the controlling shareholders, de facto controllers and other related parties of the Company, and maximize the protection of the investors’ interests, the Company has formulated this regulation according to the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange (the “Listing Rules”), the Notice on Several Issues relating to the Regulation of Transfer of Funds between the Listed Companies and the Related Parties and External Guarantee Provided by Listed Companies issued by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council, the Guidelines on Compliant Operation of Listed Companies of the Shenzhen Stock Exchange and the Articles of Association of Changsha Broad Homes Industrial Group Co., Ltd. (the “Articles of Association”) and other relevant laws, regulations and normative documents.

**Article 2** This regulation shall apply to the transfer of funds between the subsidiaries included in the consolidated financial statements of the Company and the related parties of the Company.

**Article 3** The related party referred to in this regulation shall have the same meaning as the related party defined in the Listing Rules currently in force. The controlling shareholder referred to in this regulation shall have the same meaning as the controlling shareholder defined in the Company Law currently in force, which represents the shareholder who: (i) directly holds 50% or more of the total share capital of the Company; (ii) has sufficient voting right in respect of the shares held by he/she/it to pose a significant influence on the resolutions of the general meetings despite holding less than 50% of the total share capital of the Company.

**Article 4** Appropriation of funds referred to in this regulation includes but is not limited to the following:

1. Appropriation of operating funds: appropriation of funds by the related parties of the Company through related party transactions arising from purchases, sales and other activities relating to production and operation.
2. Appropriation of non-operating funds: advances provided by the Company for such expenses as wages, welfares, insurance, advertisement fees, etc. and other expenditures for the related parties of the Company; repayments of debts on behalf of the related parties; loans advanced directly or indirectly to the related parties of the Company with or without cost; liabilities arising from the guarantee provided by the Company for its related parties; and other funds provided to the related parties of the Company without the provision of goods and labor services.

**Article 5** The controlling shareholders shall exercise the rights as capital contributor in strict accordance with relevant laws. The controlling shareholders shall not make use of methods such as the profit distribution, asset restructuring, external investment, asset misappropriation, borrowing, debt repayment, provision of loan and advance or guarantee to jeopardize the legitimate rights and interests of the Company and public shareholders, and shall not jeopardize the interests of the Company and public shareholders with their controlling position.

**Article 6** The related parties of the Company shall not use their related relations to jeopardize the interests of the Company, and shall compensate the Company for any losses caused by their breach of relevant provisions. The directors, supervisors and senior management of the Company have a legal obligation to protect the security of funds of the Company.

## **CHAPTER II REGULATION ON TRANSFER OF FUNDS WITH RELATED PARTIES**

**Article 7** Transfer of funds between the Company and its related parties shall be conducted based on actual and fair transactions, and it is strictly prohibited to cover the appropriation of non-operating funds with appropriation of operating funds. The related party transactions between the Company and its related parties shall comply with the requirements of relevant laws, regulations and normative documents and be conducted based on the decision-making procedure as stipulated in the Articles of Association and the Regulation on Management of Related Party Transactions of Changsha Broad Homes Industrial Group Co., Ltd. Obligations of reporting and information disclosure shall also be performed for such matter according to the Listing Rules and the Information Disclosure Management Measures of Changsha Broad Homes Industrial Group Co., Ltd.

**Article 8** The directors, supervisors and senior management of the Company and the chairman and general manager of the subsidiaries have a legal obligation to protect the security of funds of the Company, and shall perform their duties diligently according to the requirements of relevant regulations and the Articles of Association.

**Article 9** The Company shall strictly restrict the related parties from appropriation of funds of the Company in transfer of operating funds with the related parties. The Company shall not provide advances for payment of wages, welfare, insurance, advertisement fees and other relevant expenses of the related parties, and the Company and its related parties shall not bear costs and other expenses for each other.

**Article 10** No departments or persons of the Company shall provide funds, directly or indirectly, to related parties for their use by the following means:

- (i) lending the Company's funds to related parties with or without cost;
- (ii) providing entrusted loans to related parties through the bank or non-bank financial institutions;
- (iii) entrusting related parties to carry out investment activities;
- (iv) issuing commercial acceptance notes to related parties without actual transactions;
- (v) repaying debts for related parties;
- (vi) other means determined by the CSRC and the Shenzhen Stock Exchange.

### **CHAPTER III MANAGEMENT AND RESPONSIBILITIES OF TRANSFER OF FUNDS**

**Article 11** The Company shall strictly prevent the appropriation of non-operating funds by the related parties, and establish a long-term mechanism to prevent the appropriation of non-operating funds by the related parties.

**Article 12** The finance department of the Company shall carefully check and sort out the transfer of funds between the Company and its related parties, and establish special financial archives.

**Article 13** The directors, supervisors and senior management of the Company shall perform their duties diligently according to the requirements of relevant laws, regulations and the Articles of Association and protect the security of the Company's funds and properties, and shall not utilize their positions to assist or condone the appropriation of properties of the Company by the controlling shareholders and their related parties, and shall not jeopardize the interests of the Company through non-compliant guarantee and unfair related party transactions.

**Article 14** The chairman of the Company is the primary person-in-charge for regulating transfer of funds with related parties, preventing and settling appropriation of funds, the general manager is the direct person-in-charge of such matter, the financial controller is the person-in-charge of implementation, and the independent directors shall provide independent opinions on related party transactions.

**Article 15** The finance department of the Company shall conduct regular inspection on the Company and its subsidiaries, continuously regulate the management of transfer of funds between the Company and its subsidiaries and the related parties, and eliminate the appropriation of non-operating funds by the related parties. In addition, the finance department of the Company shall pay close attention to the transfer of funds and business dealings between the controlling shareholders and their related parties and the Company, report any anomalies in a timely manner, and provide monthly report to the office of board of directors on transfer of funds between the Company and the controlling shareholders and their related parties as well as external guarantee.

The audit department of the Company shall conduct regular internal audit on appropriation of funds by related parties, carry out supervision and inspection on operating activities and implementation of internal control, assess on the subjects and matters inspected, provide improvement suggestion and solutions, and submit a written report to the audit committee under the board of directors of the Company.

**Article 16** When auditing the annual financial statements of the Company, the certified public accountants engaged by the Company shall carry out special audit on appropriation of funds by the related parties and issue special notes, which shall be disclosed in the annual report of the Company.

#### CHAPTER IV PAYMENT PROCEDURES FOR TRANSFER OF FUNDS

**Article 17** The Company shall conduct related party transactions in strict accordance with the annual amount of related party transactions approved by the general meeting and the approval authority and procedures as stipulated in the Regulation on Management of Related Party Transactions of Changsha Broad Homes Industrial Group Co., Ltd.

**Article 18** When conducting operational related party transactions such as purchases and sales with the related parties, the Company or its subsidiaries shall enter into economic contracts based on actual transactions. If the signed contract cannot be performed as scheduled due to market conditions, the Company or its subsidiaries shall provide details on the actual situations that lead to inability to perform the contract, and terminate the contract through negotiation between both parties to serve as the basis of returning the prepayment for goods.

**Article 19** Provision of funds to related parties for related party transactions shall be conducted through funds approval and payment procedures according to the contracts of related party transactions and relevant requirements of fund management with relevant agreements, contracts and other documents as the basis of payment. If necessary, the Company shall check whether the basis of payment complies with the decision-making procedure as stipulated in the Articles of Association and other internal policies of the Company. Major related party transactions subject to consideration and approval by the board of directors and general meeting of the Company also require the resolutions of board of directors, resolutions of general meetings and other relevant documents as the basis of payment, and shall not lead to abnormal appropriation of operating funds.

**Article 20** In the event of embezzlement of the Company's assets by the related parties in detriment to the interest of the Company and the public shareholders, the board of directors of the Company shall take effective measures to demand such related parties to stop the embezzlement and make compensation for the loss accordingly. If such related parties of the Company refuse to make rectification, the board of directors of the Company shall report such incident in a timely manner to the related securities regulatory authorities and if necessary, take legal actions against such related parties, and apply for judicial freezing of shares held by the related parties in the Company. If the related parties fail to settle the embezzlement amount in cash, the Company shall take proactive measures to recover the Company's assets embezzled by liquidating the shares held by such related parties in the Company in order to safeguard the legitimate rights and interests of the Company and public shareholders. The supervisory committee of the Company shall supervise the board of directors of the Company in performing the above duties, and if the board of directors fails to do so, the supervisory committee may perform such duties on behalf of the board of directors.

**Article 21** In case of appropriation of funds, the Company shall strictly control the implementation of "repayment by shares" or "repayment by assets" and strengthen its efforts in supervision, in order to prevent activities detrimental to the interest of the Company and minority shareholders, such as using substandard assets as high-quality assets or using shareholding as a pretext of default in payment.

The related parties shall follow the provisions below if they intend to settle the funds appropriated with non-cash assets:

- (i) The assets used for compensation must be in the same business system with the Company and are conducive to strengthening the Company's independence and core competitiveness and reducing related party transactions, and shall not be assets which have not been put into use or have no objective and clear net book value.
- (ii) The Company shall engage the intermediaries with qualifications related to securities and futures business to conduct assessment on the assets that meet the conditions of repaying debts with non-cash assets, use the appraised value or audited net book value of the assets as the price determination basis of repaying debts with non-cash assets, and make discount after fully considering the present value of the appropriated funds. The audit report and assessment report shall be publicly announced.
- (iii) Independent directors shall give independent opinions on the plan of repaying debts with non-cash assets by the related parties of the Company, or engage intermediaries with qualifications related to securities and futures business to issue the independent financial advisor report.
- (iv) The plan of repaying debts with non-cash assets by the related parties of the Company shall be considered and approved at the general meeting, during which the related shareholders shall abstain from voting.
- (v) The plan of repaying debts with non-cash assets by the related parties of the Company shall be submitted to the CSRC for approval.

**Article 22** The Company shall formulate the settlement plan for appropriation of the Company's funds by the related parties according to relevant laws, and report to relevant securities regulatory authorities and the Shenzhen Stock Exchange and make announcement according to relevant requirements in a timely manner.

#### **CHAPTER V ACCOUNTABILITY AND PENALTY**

**Article 23** The Company's controlling shareholders, de facto controllers and their related parties shall compensate the Company for any loss caused to the Company due to violation of this regulation, and relevant person-in-charge shall be held accountable.

**Article 24** The directors, supervisors and senior management of the Company and its controlling subsidiaries have the obligations to safeguard the Company's funds from appropriation by the Company's related parties. If the Company's directors, supervisors or senior management assist or condone the appropriation of the Company's assets by the related parties, which causes loss to the Company, they shall provide relevant compensation, and if material loss is recorded, the Company shall also remove such directors, supervisors or senior management through relevant procedures. If they shall be held accountable for legal liabilities according to relevant laws, the Company shall initiate civil proceedings against relevant persons or report to relevant administrative and judicial authorities in a timely manner.

**Article 25** For appropriation of the Company's funds by related parties in violation of relevant laws, administrative regulations, departmental rules and normative documents, the Company shall issue repayment request to assert its legal rights in a timely manner. The Company shall also request for compensation in respect of the loss caused to the Company, and if necessary, make claims through litigation or other legal proceedings.

#### **CHAPTER VI SUPPLEMENTARY PROVISIONS**

**Article 26** For matters not covered by this regulation or conflict with the laws, regulations, normative documents or the Articles of Association issued after this regulation becomes effective, provisions of such national laws, regulations, normative documents and the Articles of Association shall prevail.

**Article 27** Any amendment to this regulation shall be proposed by the board of directors and submitted to the general meeting for consideration and approval.

**Article 28** This regulation is subject to the interpretation and amendment by the board of directors of the Company.

**Article 29** After being considered and approved by the board of directors of the Company, this regulation shall become effective from the date of initial public offering of A Shares of the Company and listing on the ChiNext of the Shenzhen Stock Exchange, and shall be taken as reference before listing.



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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) will 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 (the “**EGM**”), for the purpose of considering and approving the following resolutions:

### **ORDINARY RESOLUTIONS:**

1. To consider and approve 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;
2. To consider and approve 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;
3. To consider and approve 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;
4. To consider and approve the resolution on amendments to and addition of internal management policies of the Company;
5. To consider and approve the resolution on engagement of audit firms for the Proposed A Share Offering and Listing;
6. To consider and approve the resolution on confirming the related party transactions of the Company during the reporting period;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### SPECIAL RESOLUTIONS:

7. To consider and approve the resolution on the Proposed A Share Offering and Listing:
  - 7.1 Class and par value of shares to be issued;
  - 7.2 Offering size;
  - 7.3 Target subscribers;
  - 7.4 Method of offering;
  - 7.5 Pricing methodology;
  - 7.6 Method of underwriting;
  - 7.7 Proposed place of listing;
  - 7.8 Time of offering and listing; and
  - 7.9 Valid period of the resolution.
8. To consider and approve 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;
9. To consider and approve the resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis;
10. To consider and approve the resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing;
11. To consider and approve the resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing;
12. To consider and approve the resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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13. To consider and approve the resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures;
14. To consider and approve the resolution on report of use of proceeds from previous fund raising activity of the Company;
15. To consider and approve the resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing;
16. To consider and approve 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.

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

June 22, 2020

*As at the date of this notice, 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.*

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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Notes:

## 1. CLOSURE OF REGISTER OF MEMBERS TO DETERMINE ENTITLEMENT TO ATTEND THE EGM

In order to ascertain shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Monday, July 6, 2020 to Wednesday, July 8, 2020 (both days inclusive). Shareholders whose names appear on the register of members of the Company at the opening of business on Wednesday, July 8, 2020 are entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all duly completed transfer documents accompanied by the relevant share certificates of H shareholders whose transfer has not been registered shall be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Friday, July 3, 2020.

## 2. APPOINTMENT OF PROXIES

A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company, but he/she must attend the EGM in person to represent the relevant shareholder.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its director(s) or duly authorized attorney. If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

In order to be valid, the form of proxy, the notarized power of attorney or other authorization document (if any) must be delivered to the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (for H shareholders), or the headquarters and principal place of business of the Company at No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC (for domestic shareholders) not less than 24 hours before the time appointed for the holding of the EGM (i.e. no later than 10:00 a.m. on Tuesday, July 7, 2020) or any adjournment thereof (as the case may be) by hand or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

## 3. VOTING BY POLL

All resolutions at the general meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Therefore, the resolutions as set out in the notice of the EGM will be taken by poll. The announcement of poll results will be published on the website of the Company ([www.bhome.com.cn](http://www.bhome.com.cn)) and the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) in accordance with the Listing Rules.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## 4. MISCELLANEOUS

- (1) The EGM is expected to last for no more than half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
- (2) Shareholders or their proxies shall produce their identity proof when attending the EGM (and any adjournment thereof).
- (3) The H share registrar of the Company:  
  
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong  
(for lodging transfer documents)  
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (for lodging form of proxy)  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990
- (4) The headquarters and principal place of business of the Company:  
  
No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC  
Contact department: Board secretary office  
Tel: (86) 0731 8891 1595  
Fax: (86) 0731 8891 1595  
Contact person: Huang Fengchun
- (5) Unless otherwise indicated, capitalised terms used in this notice and the above resolutions shall have the same meanings as those defined in the circular of the Company dated June 22, 2020.

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## NOTICE OF H SHAREHOLDERS CLASS MEETING

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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)**

### NOTICE OF H SHAREHOLDERS CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the H shareholders class meeting of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) will 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 extraordinary general meeting or any adjournment thereof) on Wednesday, July 8, 2020 (the “**H Shareholders Class Meeting**”), for the purpose of considering and approving the following resolutions:

#### **SPECIAL RESOLUTIONS:**

1. To consider and approve the resolution on the Proposed A Share Offering and Listing:
  - 1.1 Class and par value of shares to be issued;
  - 1.2 Offering size;
  - 1.3 Target subscribers;
  - 1.4 Method of offering;
  - 1.5 Pricing methodology;
  - 1.6 Method of underwriting;
  - 1.7 Proposed place of listing;
  - 1.8 Time of offering and listing; and
  - 1.9 Valid period of the resolution.

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## NOTICE OF H SHAREHOLDERS CLASS MEETING

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2. To consider and approve 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;
3. To consider and approve the resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis;
4. To consider and approve the resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing;
5. To consider and approve the resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing;
6. To consider and approve the resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing;
7. To consider and approve the resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures;
8. To consider and approve the resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing;
9. To consider and approve 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. To consider and approve 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.

On behalf of the Board

**Changsha Broad Homes Industrial Group Co., Ltd.**

**Zhang Jian**

*Chairman*

June 22, 2020

*As at the date of this notice, the Board comprises Mr. Zhang Jian, Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as Executive Directors; Mr. Zhang Quanaxun 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.*

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# NOTICE OF H SHAREHOLDERS CLASS MEETING

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Notes:

## 1. CLOSURE OF REGISTER OF MEMBERS TO DETERMINE ENTITLEMENT TO ATTEND THE H SHAREHOLDERS CLASS MEETING

In order to ascertain H shareholders' entitlement to attend at the H Shareholders Class Meeting, the register of members of H Shares of the Company will be closed from Monday, July 6, 2020 to Wednesday, July 8, 2020 (both days inclusive). H shareholders whose names appear on the register of members of the Company at the opening of business on Wednesday, July 8, 2020 are entitled to attend and vote at the H Shareholders Class Meeting. In order to qualify for attending and voting at the H Shareholders Class Meeting, all duly completed transfer documents accompanied by the relevant share certificates of H shareholders whose transfer has not been registered shall be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai Hong Kong for registration before 4:30 p.m. on Friday, July 3, 2020.

## 2. APPOINTMENT OF PROXIES

A shareholder entitled to attend and vote at the H Shareholders Class Meeting may appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not to be a shareholder of the Company, but he/she must attend the H Shareholders Class Meeting in person to represent the relevant shareholder.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its director(s) or duly authorized attorney. If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

In order to be valid, the form of proxy, the notarized power of attorney or other authorization document (if any) must be delivered to the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for H shareholders not less than 24 hours before the time appointed for the holding of the H Shareholders Class Meeting (i.e. no later than 11:00 a.m. on Tuesday, July 7, 2020) or any adjournment thereof (as the case may be) by hand or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the H Shareholders Class Meeting if you so wish.

## 3. VOTING BY POLL

All resolutions at the general meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Therefore, the resolutions as set out in the notice of the H Shareholders Class Meeting will be taken by poll. The announcement of poll results will be published on the website of the Company ([www.bhome.com.cn](http://www.bhome.com.cn)) and the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) in accordance with the Listing Rules.

## 4. MISCELLANEOUS

- (1) The H Shareholders Class Meeting is expected to last for no more than half a day. Shareholders or their proxies attending the H Shareholders Class Meeting shall be responsible for their own travelling and accommodation expenses.
- (2) Shareholders or their proxies shall produce their identity proof when attending the H Shareholders Class Meeting (and any adjournment thereof).
- (3) The H share registrar of the Company:  
  
Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong  
(for lodging transfer documents)  
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong (for lodging form of proxy)  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990
- (4) Unless otherwise indicated, capitalised terms used in this notice and the above resolutions shall have the same meanings as those defined in the circular of the Company dated June 22, 2020.



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# NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

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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)**

## NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the domestic shareholders class meeting of Changsha Broad Homes Industrial Group Co., Ltd. (the “**Company**”) will 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 “**Domestic Shareholders Class Meeting**”), for the purpose of considering and approving the following resolutions:

### **SPECIAL RESOLUTIONS:**

1. To consider and approve the resolution on the Proposed A Share Offering and Listing:
  - 1.1 Class and par value of shares to be issued;
  - 1.2 Offering size;
  - 1.3 Target subscribers;
  - 1.4 Method of offering;
  - 1.5 Pricing methodology;
  - 1.6 Method of underwriting;
  - 1.7 Proposed place of listing;
  - 1.8 Time of offering and listing; and
  - 1.9 Valid period of the resolution.

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## NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

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2. To consider and approve 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;
3. To consider and approve the resolution on investment projects to be financed by the proceeds from the Proposed A Share Offering and the feasibility analysis;
4. To consider and approve the resolution on plan for distribution of accumulated profits prior to the Proposed A Share Offering and Listing;
5. To consider and approve the resolution on dividend distribution plan for Shareholders for three years after the Proposed A Share Offering and Listing;
6. To consider and approve the resolution on price stabilization plan of A Shares of the Company for three years after the Proposed A Share Offering and Listing;
7. To consider and approve the resolution on analysis of impact of dilution on immediate return by the Proposed A Share Offering and relevant recovery measures;
8. To consider and approve the resolution on relevant undertakings made by the Company for the Proposed A Share Offering and Listing;
9. To consider and approve 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. To consider and approve 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.

On behalf of the Board

**Changsha Broad Homes Industrial Group Co., Ltd.**

**Zhang Jian**

*Chairman*

June 22, 2020

*As at the date of this notice, the Board comprises Mr. Zhang Jian, Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming as Executive Directors; Mr. Zhang Quanaxun 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.*

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# NOTICE OF DOMESTIC SHAREHOLDERS CLASS MEETING

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Notes:

## 1. CLOSURE OF REGISTER OF MEMBERS TO DETERMINE ENTITLEMENT TO ATTEND THE DOMESTIC SHAREHOLDERS CLASS MEETING

In order to ascertain domestic shareholders' entitlement to attend at the Domestic Shareholders Class Meeting, the register of members of domestic shares of the Company will be closed from Monday, July 6, 2020 to Wednesday, July 8, 2020 (both days inclusive). Domestic shareholders whose names appear on the register of members of the Company at the opening of business on Wednesday, July 8, 2020 are entitled to attend and vote at the Domestic Shareholders Class Meeting. In order to qualify for attending and voting at the Domestic Shareholders Class Meeting, all duly completed transfer documents accompanied by the relevant share certificates of domestic shareholders whose transfer has not been registered shall be lodged with the Company's headquarters and principal place of business at No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC for registration before 4:30 p.m. on Friday, July 3, 2020.

## 2. APPOINTMENT OF PROXIES

A shareholder entitled to attend and vote at the Domestic Shareholders Class Meeting may appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not to be a shareholder of the Company, but he/she must attend the Domestic Shareholders Class Meeting in person to represent the relevant shareholder.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorized in writing. If the shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its director(s) or duly authorized attorney. If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.

In order to be valid, the form of proxy, the notarized power of attorney or other authorization document (if any) must be delivered to the Company's headquarters and principal place of business at No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC for domestic shareholders not less than 24 hours before the time appointed for the holding of the Domestic Shareholders Class Meeting (i.e. no later than 11:30 a.m. on Tuesday, July 7, 2020) or any adjournment thereof (as the case may be) by hand or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Domestic Shareholders Class Meeting if you so wish.

## 3. VOTING BY POLL

All resolutions at the general meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Therefore, the resolutions as set out in the notice of the Domestic Shareholders Class Meeting will be taken by poll. The announcement of poll results will be published on the website of the Company ([www.bhome.com.cn](http://www.bhome.com.cn)) and the HKExnews website of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) in accordance with the Listing Rules.

## 4. MISCELLANEOUS

(1) The Domestic Shareholders Class Meeting is expected to last for no more than half a day. Shareholders or their proxies attending the Domestic Shareholders Class Meeting shall be responsible for their own travelling and accommodation expenses.

(2) Shareholders or their proxies shall produce their identity proof when attending the Domestic Shareholders Class Meeting (and any adjournment thereof).

(3) The headquarters and principal place of business of the Company:

No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province, the PRC

Contact department: Board secretary office

Tel: (86) 0731 8891 1595

Fax: (86) 0731 8891 1595

Contact person: Huang Fengchun

(4) Unless otherwise indicated, capitalised terms used in this notice and the above resolutions shall have the same meanings as those defined in the circular of the Company dated June 22, 2020.