

# China Fangda Group Co., Ltd.

## The 3<sup>rd</sup> Quarterly Report 2009 (Full text)

### § 1 Important Declaration

1.1 The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

1.2 Directors other than the followings presented the Board Meeting on which this report was examined:

Name of the director absented	Position	Reason for not presenting the meeting	Name of consignee
Xiong Jianming	Chairman	Business engagement	Wang Shengguo

1.3 The 3<sup>rd</sup> Quarterly Report is not audited by CPA.

1.4 Mr. Xiong Jianming, the Chairman of Board, Mr. Lin Kebin, the Financial Principal declares: the Financial Report carried in this report is authentic and completed.

### § 2 Company Profile

#### 2.1 Financial highlights

In RMB Yuan

	2009.9.30	2008.12.31	Changed by (%)	
Gross Assets (RMB)	1,442,126,684.62	1,395,570,931.42	3.34%	
Owners' equity attributable to the shareholders of the listed company (yuan)	593,179,820.76	559,715,901.95	5.98%	
Capital shares (shares)	426,786,359.00	426,786,359.00	0.00%	
Net asset per share attributable to the shareholders of the listed company (Yuan/share)	1.39	1.31	6.11%	
	July-Sept. 2009	Changed over the previous year (%)	Jan-Sept. 2009	Changed over the previous year (%)
Turnover (yuan)	232,026,806.87	18.22%	601,972,120.76	7.13%
Net profit attributable to shareholders of the listed company (yuan)	7,376,329.77		37,452,964.05	119.38%
Net Cash flow generated by business operation (RMB)	-	-	9,813,490.56	
Net Cash flow per share generated by business operation (yuan/share)	-	-	0.02	143.88%
Basic earnings per share (Yuan/share)	0.017		0.09	125.00%
Diluted earnings per share (Yuan/share)	0.017		0.09	125.00%
Net return on equity (%)	1.24%	1.91%	6.31%	3.24%
Net earnings / capital ratio after deducting of non-recurring gain/loss (%)	1.03%	1.59%	2.65%	4.06%

In RMB Yuan

Non-recurring gain and loss items	Amount from beginning of year	Note
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	to the end of report term	
Gain/loss of non-current assets	-699,992.78	
Government subsidies accounted into current gain/loss account, other than those closely related to the Company's common business, comply with the national policy and continues to enjoy at certain fixed rate or amount.	1,286,000.00	
Gain/loss from debt reorganization	18,377.07	
Gain/loss from commissioned loans	308,534.09	
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses	16,614,079.31	
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	3,521,776.72	
Other non-business income and expenditures other than the above	743,388.75	
Influenced amount of minority shareholders' equity	-83,347.15	
Total	21,708,816.01	-

## 2.2 Total of shareholders and the top 10 holders of unconditional shares

In Shares

Total shareholders at the end of the report period (accounts)		71,312
Top ten holders of the shares without subscription limitation		
Full name of shareholder	Amount of unconditional shares held at the end of report term	Categories
Shenzhen Banglin Technologies Development Co., Ltd.	42,850,014	RMB common shares
Shenzhen Shilihe Investment Co., Ltd.	27,632,445	RMB common shares
Hong Kong Onforce International Co., Ltd.	18,000,000	Foreign shares placed in domestic exchange
Fu Ruyu	2,356,724	RMB common shares
Cao Yifan	2,063,000	Foreign shares placed in domestic exchange
Zhen Fan	1,190,000	Foreign shares placed in domestic exchange
Chen Jinbiao	938,800	Foreign shares placed in domestic exchange
Liu Changjun	826,600	Foreign shares placed in domestic exchange
BNP PARIBAS ARBITRAGE (HONG KONG) LTD	809,471	Foreign shares placed in domestic exchange
Zhang Yongjie	808,080	Foreign shares placed in domestic exchange

## § 3 Significant Events

### 3.1 Details and causations of major change in major accounting subjects and financial indices

✓ applicable    □ not applicable

1. Comparing with the beginning of year, notes receivable reduced by RMB9,683,790.29. This was caused by due of bank notes hold at beginning of year;
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2. Comparing with the beginning of year, the prepayment has increased by RMB17,350,754.41, which was caused by prepayment disbursed to the material supplier of University Games (Shenzhen) projects.
3. Comparing with the beginning of year, the sellable financial assets has decreased by RMB8,335,527.20, which was caused by disposal of sellable financial assets.
4. Comparing with the beginning of year, notes payable reduced by RMB44,993,177.98 which was caused by reducing of payment by bank notes by the subsidiaries;
5. Comparing with the same period of last year, the financial expenses has reduced by RMB7,330,649.39 which was caused by financial structure adjustment conducted by the Company and decrease of bank loan interest as well.
6. For Jan-Sept 2009, the net profit attributable to the shareholders of the listed company has increased by 119.38% comparing with the same period of last year. After deducting of non-recurring gain/loss, the net profit attributable to the shareholders of the listed company has increased by RMB23.58 million. This was caused by increasing of turnover and gross profit ratio, and reducing of financial expenses in the same period.

### 3.2 Progress of significant events, their influence, countermeasures, and analysis

applicable     not applicable

- (1) Hangzhou City Xinyu Building No. 2, 3, 5, 6 energy saving glass curtain wall project was obtained at the end of December 2007 with contract value of RMB163.70 million. It was started in May 2008 and planned to be completed at the end of November 2009. As of the report term, a revenue of RMB103.76 million has been received.
- (2) The overall contract of Shenzhen Metro Line No.1 PSD system is valued RMB79.8586 million, and adopted the door machine and controlling unit developed by the Company. At present installation in Baishizhou Station, Gaoxin Station, and Shenda Station has accomplished. This project will be finished in March 2011. As of the report term, a revenue of RMB11.4352 million has been received.
- (3) The contract for the PSD system of Line No.2 of Shenzhen Metro was RMB169.256 million. Installation was scheduled for October 2009, and is expected to complete in March 2011.
- (4) Contract with Nanjing Metro was amounted to RMB59.52 million. Installation has been started in Ningdao Station and Tianying Station. This project was planned to finish in March 2010, up to the end of report term, a revenue of RMB19.7911 million has been received.
- (6) The contract for Main Stadium of UNIVERSIADE 2011 project was amounted to RMB95.3973 million and started in June 2009. It is planned to be finished at the end of December 2009. A revenue of RMB21.4785 million has been realized.

### 3.3 Fulfilling of commitment issues made by the Company, shareholder, or substantial controller

applicable     not applicable

### 3.4 Estimated accumulative profit from the year beginning to the end of the next report period may be of deficits; or in comparison with the same period of the previous year, give the warning of great change and the notice to the reasons.

applicable     not applicable

### 3.5 Major events needs to be explained

- (1) The Company neither provided capital to the controlling shareholder or its associates, nor provided any guarantee to outside parties with illegal procedures;
- (2) There is no shareholder holding over 30% of the Company's shares, and there is no such share-increasing plan raised by shareholder with over 30% of the Company's shares;
- (3) No cash dividend was distributed in the report term;
- (4) No major contract engaged in the report term.
- (5) At end of the report term, investment in derivate financial instruments (RMB)

Category	Quantity (Ton)	Total value in stock	Term of stock	Total value at end of term	Profit & loss
Hu Lv 0910	200	3,000,750	Oct 15, 2009	2,965,000	-35,750
Hu Lv 0910	400	5,991,324	Nov 15, 2009	5,928,000	-63,324
Hu Lv 0912	400	5,968,000	Dec 15, 2009	5,924,000	-44,000
Hu Lv 1004	200	2,940,000	Apr 15, 2010	2,954,000	14,000
Hu Lv 1005	200	2,940,000	May 15, 2010	2,957,000	17,000
Hu Lv 1006	300	4,410,000	Jun 15, 2010	4,456,500	46,500
Hu Lv 1007	300	4,410,000	Jul 15, 2010	4,440,000	30,000
Total	2000	29,660,074		29,624,500	-35,574

## § 4 Attachments

### 4.1 Balance Sheet

Prepared by: China Fangda Group Co., Ltd.

Sept. 30th 2009

in RMB yuan

Items	Balance at the end of term		Balance at the beginning of year	
	Consolidated	Parent company	Consolidated	Parent company
Current asset:				
Monetary capital	228,228,391.94	21,994,363.48	211,638,447.88	3,702,206.23
Settlement provision			0.00	0.00
Outgoing call loan			0.00	0.00
Transactional financial assets				0.00
Notes receivable	1,220,000.00	17,539,171.74	10,903,790.29	7,273,375.72
Account receivable	315,394,744.88	15,281,301.39	309,967,793.35	20,133,345.21
Prepayment	28,646,258.94		11,295,504.53	183,333.33
Insurance receivable			0.00	0.00
Reinsurance receivable			0.00	0.00
Provisions of Reinsurance contracts receivable			0.00	0.00
Interest receivable	61,737.88		0.00	0.00
Dividend receivable				
Other account receivable	42,827,879.80	239,136,261.75	41,902,271.80	200,081,536.53
Repurchasing of financial assets				
Inventories	175,647,925.52		146,209,954.16	
Non-current asset due in 1 year			0.00	
Other current asset			5,000,000.00	0.00
Total of current asset	792,026,938.96	293,951,098.36	736,917,762.01	231,373,797.02
Non-current assets				
Loans and payment on other's behalf disbursed				

Disposable financial asset	5,732,972.80	1,990,246.58	14,068,500.00	
Expired investment in possess				
Long-term receivable				
Long-term share equity investment	3,006,859.69	333,023,850.60	4,506,859.69	333,423,850.60
Investment properties	265,256,177.04	256,935,044.04	261,734,400.32	253,549,300.32
Fixed assets	262,258,840.39	48,015,986.35	273,756,378.47	49,360,083.88
Construction in process	17,148,105.16		9,429,233.19	
Engineering goods				
Fixed asset disposal				
Production physical assets			0.00	0.00
Gas & petrol			0.00	0.00
Intangible assets	64,097,884.41	10,294,364.66	60,834,577.77	10,786,917.08
R&D expense	5,233,133.40		7,783,177.73	
Goodwill	8,197,817.29		8,197,817.29	
Long-term amortizable expenses				0.00
Differed income tax asset	19,167,955.48		18,342,224.95	
Other non-current asset			0.00	0.00
Total of non-current assets	650,099,745.66	650,259,492.23	658,653,169.41	647,120,151.88
Total of assets	1,442,126,684.62	944,210,590.59	1,395,570,931.42	878,493,948.90
Current liabilities				
Short-term loans	406,889,908.00	210,000,000.00	229,382,471.49	
Loan from Central Bank			0.00	0.00
Deposit received and hold for others			0.00	0.00
Call loan received			0.00	0.00
Trade off financial liabilities	35,574.20		0.00	0.00
Notes payable	13,711,871.17		58,705,049.15	
Account payable	157,255,939.17	7,260,415.74	133,711,152.93	8,732,970.63
Prepayment received	94,879,775.88	693,045.60	101,965,594.16	739,302.70
Selling of repurchased financial assets			0.00	0.00
Fees and commissions receivable			0.00	0.00
Employees' wage payable	4,250,638.27		4,674,596.67	0.00
Tax payable	25,647,550.19	1,373,233.74	31,245,712.21	2,922,025.31
Interest payable	317,625.00	317,625.00	590,697.62	374,841.37
Dividend payable				
Other account payable	25,255,095.32	183,957,327.56	20,928,588.30	151,776,238.60
Reinsurance fee payable				
Insurance contract provision				
Entrusted trading of securities				
Entrusted selling of securities				
Non-current liability due in 1 year				
Other current liability	1,261,312.34	1,016,379.24	1,016,379.24	1,016,379.24
Total of current liability	729,505,289.54	404,618,026.88	582,220,241.77	165,561,757.85
Non-current liabilities				
Long-term borrowings			179,000,000.00	179,000,000.00
Bond payable				
Long-term payable				
Special payable				

Expected liabilities				
Differed income tax liability	1,085,723.41		2,100,492.25	
Other non-recurring liabilities	5,194,194.50		4,930,000.00	
Total of non-current liabilities	6,279,917.91		186,030,492.25	179,000,000.00
Total of liability	735,785,207.45	404,618,026.88	768,250,734.02	344,561,757.85
Owners' equity (or shareholders' equity)				
Capital paid in (or share capital)	426,786,359.00	426,786,359.00	426,786,359.00	426,786,359.00
Capital reserves	57,106,263.27	34,857,259.39	61,095,308.51	33,267,012.81
Less: Shares in stock				
Special reserves				
Surplus reserves	6,388,697.44	6,388,697.44	6,388,697.44	6,388,697.44
Common risk provision				
Retained profit	102,898,501.05	71,560,247.88	65,445,537.00	67,490,121.80
Different of foreign currency translation				
Total of owner's equity belong to the parent company	593,179,820.76	539,592,563.71	559,715,901.95	533,932,191.05
Minor shareholders' equity	113,161,656.41		67,604,295.45	
Total of owners' equity	706,341,477.17	539,592,563.71	627,320,197.40	533,932,191.05
Total of liabilities and owners' equity	1,442,126,684.62	944,210,590.59	1,395,570,931.42	878,493,948.90

## 4.2 Income Statement of the report term

Prepared by: China Fangda Group Co., Ltd.

July-Sept 2009

in RMB yuan

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Total revenue	232,026,806.87	9,581,023.63	196,272,270.56	22,818,167.18
Incl. Business income	232,026,806.87	9,581,023.63	196,272,270.56	22,818,167.18
Interest income				
Insurance fee earned				
Fee and commission received				
II. Total business cost	225,284,273.11	9,549,539.38	200,401,516.97	22,764,851.41
Incl. Business cost	196,230,024.50	2,765,197.47	162,212,879.58	17,979,254.46
Interest expense				
Fee and commission paid				
Insurance discharge payment				
Net claim amount paid				
Net insurance policy reserves provided				
Insurance policy dividend paid				
Reinsurance expenses				
Business tax and surcharge	4,880,978.93	428,112.27	4,219,970.35	357,051.29
Sales expense	5,642,321.76	435,296.28	6,935,579.77	182,600.83
Administrative expense	13,816,876.49	4,123,819.30	14,853,978.98	3,389,093.33
Financial expenses	3,991,841.20	1,645,066.99	7,673,788.40	856,851.50
Asset impairment loss	722,230.23	152,047.07	4,505,319.89	
Plus: Gains from change of fair value ("-" for loss)	6,380.20	1,136,406.00	-185,800.00	
Investment gain ("-" for loss)			-739,100.00	
Incl. Investment gains from affiliates				

Gains from currency exchange (“-“ for loss)				
III. Operational profit (“-“ for loss)	6,748,913.96	1,167,890.25	-5,054,146.41	53,315.77
Plus: Non business income	1,373,607.11	87,648.41	1,245,717.78	267,105.90
Less: Non-business expenses	1,158,274.65	9,781.20	698,301.85	135,272.70
Incl. Loss from disposal of non-current assets				
IV. Gross profit (“-“ for loss)	6,964,246.42	1,245,757.46	-4,506,730.48	185,148.97
Less: Income tax expenses	997,070.02			
V. Net profit (“-“ for net loss)	5,967,176.40	1,245,757.46	-4,506,730.48	185,148.97
Net profit attributable to the owners of parent company	7,376,329.77	1,245,757.46	-3,726,568.54	185,148.97
Minor shareholders' equity	-1,409,153.37		-780,161.94	
VI. Earnings per share:				
(I) Basic earnings per share	0.017		-0.009	
(II) Diluted earnings per share	0.017		-0.009	
VII. Other misc. incomes	597,942.64	606,121.38	-3,786,593.68	
VIII. Total of misc. incomes	6,565,119.04	1,851,878.84	-8,293,324.16	185,148.97
Total of misc. incomes attributable to the owners of the parent company	7,974,272.41	1,851,878.84	-7,513,162.22	185,148.97
Total misc gains attributable to the minor shareholders	-1,409,153.37		-780,161.94	

### 4.3 Income Statement from the beginning of year to the end of report term

Prepared by: China Fangda Group Co., Ltd. Jan-Sept 2009 in RMB yuan

Items	Amount of the Current Term		Amount of the Previous Term	
	Consolidated	Parent company	Consolidated	Parent company
I. Total revenue	601,972,120.76	26,990,814.07	561,914,582.35	52,722,750.11
Incl. Business income	601,972,120.76	26,990,814.07	561,914,582.35	52,722,750.11
Interest income				
Insurance fee earned				
Fee and commission received				
II. Total business cost	590,649,857.92	26,820,007.68	571,583,245.90	52,002,577.40
Incl. Business cost	495,772,949.61	7,235,546.95	471,168,530.81	35,990,641.61
Interest expense				
Fee and commission paid				
Insurance discharge payment				
Net claim amount paid				
Net insurance policy reserves provided				
Insurance policy dividend paid				
Reinsurance expenses				
Business tax and surcharge	14,648,309.88	1,092,806.98	13,111,598.98	998,957.06
Sales expense	16,544,470.43	1,026,912.73	17,204,934.70	536,901.84
Administrative expense	45,446,108.88	12,997,968.72	43,318,349.58	10,868,980.85
Financial expenses	13,756,388.23	4,205,559.77	21,087,037.61	3,295,431.67
Asset impairment loss	4,481,630.89	261,212.53	5,692,794.22	311,664.37
Plus: Gains from change of fair value (“-“ for loss)	3,521,776.72	3,385,743.72	-3,880,777.89	-3,431,277.89
Investment gain (“-“ for loss)	16,922,613.40		30,048,497.85	27,945.21

Incl. Investment gains from affiliates				
Gains from currency exchange (“-“ for loss)				
III. Operational profit (“-“ for loss)	31,766,652.96	3,556,550.11	16,499,056.41	-2,683,159.97
Plus: Non business income	2,790,182.99	525,183.68	2,312,617.35	372,291.90
Less: Non-business expenses	1,442,409.95	11,607.71	3,306,649.76	1,296,456.39
Incl. Loss from disposal of non-current assets				
IV. Gross profit (“-“ for loss)	33,114,426.00	4,070,126.08	15,505,024.00	-3,607,324.46
Less: Income tax expenses	104,100.99		251,072.78	
V. Net profit (“-“ for net loss)	33,010,325.01	4,070,126.08	15,253,951.22	-3,607,324.46
Net profit attributable to the owners of parent company	37,452,964.05	4,070,126.08	17,072,270.75	-3,607,324.46
Minor shareholders' equity	-4,442,639.04		-1,818,319.53	
VI. Earnings per share:				
(I) Basic earnings per share	0.09		0.04	
(II) Diluted earnings per share	0.09		0.04	
VII. Other misc. incomes	-3,989,045.24	1,590,246.58	-43,693,350.60	0.00
VIII. Total of misc. incomes	29,021,279.77	5,660,372.66	-28,439,399.38	-3,607,324.46
Total of misc. incomes attributable to the owners of the parent company	33,463,918.81	5,660,372.66	-26,621,079.85	-3,607,324.46
Total misc gains attributable to the minor shareholders	-4,442,639.04		-1,818,319.53	

#### 4.4 Cash Flow Statement from the beginning of year to the end of report term.

Prepared by: China Fangda Group Co., Ltd. Jan-Sept 2009 in RMB yuan

Items	Amount of the Current Term		Amount of the Previous Term	
	Consolidated	Parent company	Consolidated	Parent company
I. Net cash flow from business operation				
Cash received from sales of products and providing of services	584,474,672.04	33,846,025.95	514,594,099.44	40,832,451.10
Net increase of customer deposits and capital kept for brother company				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial bodies				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal				
Cash received as interest, processing fee, and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Tax returned	517,720.14		3,553,994.79	
Other cash received from business operation	63,074,443.00	1,698,915.00	25,430,575.09	1,732,036.31
Sub-total of cash inflow from business activities	648,066,835.18	35,544,940.95	543,578,669.32	42,564,487.41
Cash paid for purchasing of merchandise and services	524,433,621.60	9,718,936.62	444,304,124.05	28,933,940.79
Net increase of client trade and advance				



Net increase of savings in central bank and brother company				
Cash paid for original contract claim				
Cash paid for interest, processing fee and commission				
Cash paid for policy dividend				
Cash paid to staffs or paid for staffs	39,617,497.73	3,803,076.71	41,590,867.78	4,337,654.30
Taxes paid	25,169,688.72	3,758,154.04	16,872,682.98	2,670,924.12
Other cash paid for business activities	49,032,536.57	5,762,095.67	60,264,710.52	7,305,970.44
Sub-total of cash outflow from business activities	638,253,344.62	23,042,263.04	563,032,385.33	43,248,489.65
Cash flow generated by business operation, net	9,813,490.56	12,502,677.91	-19,453,716.01	-684,002.24
II. Cash flow generated by investing				
Cash received from investment retrieving	11,678,754.96		10,227,789.90	
Cash received as investment gains	19,368,989.83		30,877,072.60	27,945.21
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	129,181.00	1,220.00	2,622,310.00	216,950.00
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related cash received	184,000.00			
Sub-total of cash inflow due to investment activities	31,360,925.79	1,220.00	43,727,172.50	244,895.21
Cash paid for construction of fixed assets, intangible assets and other long-term assets	11,036,746.82	332,098.19	10,595,662.84	232,750.00
Cash paid as investment	9,896,272.80		7,955,657.50	401,440.00
Net increase of loan against pledge				
Net cash received from subsidiaries and other operational units			6,262,846.90	
Other cash paid for investment activities				
Sub-total of cash outflow due to investment activities	20,933,019.62	332,098.19	24,814,167.24	634,190.00
Net cash flow generated by investment	10,427,906.17	-330,878.19	18,913,005.26	-389,294.79
III. Cash flow generated by financing				
Cash received as investment	50,000,000.00			
Incl. Cash received as investment from minor shareholders				
Cash received as loans	662,535,659.25	284,045,982.17	172,999,204.88	31,509,005.19
Cash received from bond placing				
Other financing-related cash received	34,261,728.63		3,000,000.00	
Subtotal of cash inflow from financing activities	746,797,387.88	284,045,982.17	175,999,204.88	31,509,005.19
Cash to repay debts	670,526,823.12	269,015,000.00	155,706,608.86	20,000,000.00
Cash paid as dividend, profit, or interests	14,851,393.71	8,392,536.90	19,866,037.54	11,910,093.75
Incl. Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities	563,620.00	563,620.00		
Subtotal of cash outflow due to financing activities	685,941,836.83	277,971,156.90	175,572,646.40	31,910,093.75
Net cash flow generated by financing	60,855,551.05	6,074,825.27	426,558.48	-401,088.56
IV. Influence of exchange rate alternation on cash and cash equivalents	-21,451.61	-796.44	-281,704.78	-62,846.01
V. Net increase of cash and cash equivalents	81,075,496.17	18,245,828.55	-395,857.05	-1,537,231.60

Plus: Balance of cash and cash equivalents at the beginning of term	112,333,106.38	3,702,206.23	171,607,741.24	2,608,321.55
VI. Balance of cash and cash equivalents at the end of term	193,408,602.55	21,948,034.78	171,211,884.19	1,071,089.95

#### **4.5 Auditors' Report**

Auditor's opinion: not audited.

**China Fangda Group Co., Ltd.**

**October 20, 2009**

**Legal representative:**