

**China Fangda Group Co., Ltd.**  
**Report on Private Offering of A Shares**  
**and Announcement of Listing**  
**(Summarized)**



**The Sponsor**

**The Primary Distributor**



**中山证券有限责任公司**  
**ZHONGSHAN SECURITIES CO., LTD.**

**July, 2010**

The Company and members of the Board hereby declare to be responsible for the truthfulness, accuracy, and integrity of this announcement and will assume individual and joint liability for any false record, misleading statements or significant omission exist in the announcement.

### **Important Statements**

This Report on Private Offering of A Shares and Announcement of Listing (Summarized) is issued solely for the purpose of providing brief information of this private offering to the public. For further information please read the full text of the Report on Private Offering and Announcement of Listing.

### **Special Prompts**

Upon completion of this private offering, the Company's capital shares have increased by 47.9452 million, which will be listed in Shenzhen Stock Exchange on July 15, 2010.

Shares subscribed by the investors during this private offering are subject to 12 months of trade restriction period, and will be released for public offer on July 15 2011.

According to related regulations of Shenzhen Stock Exchange, the Company's share price on July 15, 2010 will be free of ex-rights, and has no limitation of fluctuation scale.

## Glossary

These abbreviations are defined as to the right except for those otherwise provided:

Fangda Group, the Company, the Issuer	Refers to	China Fangda Group Co., Ltd.
Banglin Tech	Refers to	Shenzhen Banglin Technologies Development Co., Ltd.
Fangda Decoration	Refers to	Shenzhen Fangda Decoration Engineering Co., Ltd.
Fangda New Materials	Refers to	Fangda New Materials (Jiangxi) Co., Ltd.
Fangda Automatic	Refers to	Shenzhen Fangda Automatic System Co., Ltd.
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
Sponsor, sponsoring institute, the primary distributor, Zhongshan Securities	Refers to	Zhongshan Securities Co., Ltd.
Attorney of the issuer	Refers to	Beijing Jingtian & Gongcheng Law Firm
A shares	Refers to	Common shares with face value of RMB1.00
RMB	Refers to	RMB Yuan
The latest three years, the report term	Refers to	Year 2007, 2008, and 2009
this offering, this private offering	Refers to	Fangda Group issues the new shares privately to not more than 10 particular subscribers
energy saving curtain wall	Refers to	The new generation of curtain wall products on the base of conventional curtain wall, and through modifying the structural design, combination of energy saving materials, fully using of sunlight and wind power, to realize improved lighting, heat isolating, sound proofing, energy saving and environmental protection functions
Screen door of metro station	Refers to	Sliding screen door system installed at the edge of platform in the metro station, which isolate the platform from the rails, synchronized with the doors of the train cart, with multi-level open-close control. It includes full height screen doors and semi-height screen doors.
The Company Law	Refers to	The Company Law of PRC
The Securities Law	Refers to	The Securities Law of PRC
Administration Rules	Refers to	Administration Rules for Share Offering of Listed Company
The Detailed Rules	Refers to	The Detailed Rules of Private Share Issuing of Listed Companies

## Chapter I. Profiles of the Private Offering

### I. Procedures of this private offering

#### (I) Internal decision-making procedures

The proposed A share private offering plan was examined and passed at the 6th meeting of the 5th term of Board held on March 26, 2009. The 1st revise was passed at the 9th meeting of the 5th term of Board held on July 30, 2009, and was approved by the 1st provisional shareholders' meeting 2009 held on August 17, 2009, on which the Board was authorized to handle the issues related to the private offering.

The second revise was passed at the 16th meeting of the 5th term of Board held on March 19, 2010. Fangda Group has disclosed information about the above. These procedures were complying with the Administration Rules and Article 11 of the Detailed Rules.

#### (II) Processes of approval by the authorities

On November 23, 2009, CSRC officially accepted the application submitted by the Company for the private offering. On April 26, 2010, upon verifications made by the Share Offering Committee of CSRC, the application was approved with particular conditions. On May 26, 2010, CSRC issued "The approval for the application of China Fangda Group Co., Ltd. for private offering" (证监许可[2010]720).

#### (III) Verification of the capital raised

On June 12, 2010, Shenzhen Nanfang-Minhe Certified Public Accountants Ltd. issued the "Verification Report on Capital Input of Private Share Offering of China Fangda Group Co., Ltd." (深南验字(2010)第175号) to verify the capital input. The Company offered 47.9452 million A shares (common shares in RMB) privately to six particular investors. The offering price was RMB7.30 and the net amount of fund raised was RMB349,999,960.00.

On June 28, 2010, Shenzhen Nanfang-Minhe Certified Public Accountants Ltd. issued the "Capital Verification Report of China Fangda Group Co., Ltd." (深南验字(2010)第197号) and confirmed the capital input of RMB349,999,960.00. After deducting of placing expenses (including distribution fee, sponsor fee, attorney fee, capital verification fee, registration fee, information disclosure fee, and travel expenses, etc.) amounted to RMB14,614,888.27, the actual amount of capital raised was RMB335,385,071.73.

The net amount of capital raised has been saved in the special accounts assigned by the Company on June 25, 2010. The Company will handle the capital according to the Administration Rules, Detailed Rules, and Administration Regulations of Raised Capital of the Company and apply it to particular projects as committed previously.

#### (IV) Registration of the newly issued shares

The share equity raised in the private offering has been registered with China Securities Depository & Clearing Corporation Ltd. Shenzhen Branch on June 21, 2010.

## **II. Profile of the private offering**

### **(I) Nature, face value, and amount of shares offered**

Shares offered this time fall in the category of common shares in RMB (A shares) with face value of RMB1.00 per share. Basing on the subscribing situation, shares offered this time were amounted to 479.452 million. All of the shares were offered privately to particular investors.

### **(II) Offering price**

The pricing ex-date of the private offering was the date when the resolutions of the 6th meeting of the 5th term of Board of Fangda Group was disclosed.(i.e. March 28, 2009). The offering price will not lower than 90% of the average in the 20 trading days prior to the ex-date, i.e. not lower than RMB5.39 per share. For Fangda Group implemented the plan of profit distribution and capitalizing of common reserves for year 2009 on April 6, 2010, the offering price was adjusted from not lower than RMB5.39 per share to not lower than RMB5.04 per share correspondingly.

Under this principle, the shareholders' meeting authorized the Board of Directors to decide the price according to the subscribing situation and under the principle of priority on price, amount, and timing. The Company and Zhongshan Securities finalized the offering price of RMB7.30 per share upon accumulative bidding statistics on valid subscribing by means of booking filing, and under the principle of priority of price, amount and timing.

The offering price equals to 144.84% of the base price which was RMB5.04, and equals to 64.83% of the average price in the 20 days prior to the offering date (June 4, 2010) which was RMB11.26 per share.

### **(III) Amount of capital raised**

Capital raised by this placing was RMB349.99996 million, after deducting of placing expenses (including distribution fee, sponsor fee, attorney fee, capital verification fee, registration fee, information disclosure fee, and travel expenses, etc.) amounted to RMB14,614,888.27, the actual amount of capital raised was RMB335,385,071.73.

The net amount of capital raised has been saved in the special accounts assigned by the Company. The Company will handle the capital according to the Administration Rules, Detailed Rules, and Administration Regulations of Raised Capital of the Company and apply it to particular projects as committed previously.

### III. Particulars of the subscribers

#### (I) Subscribing situations

No.	Name of the subscriber	Shares subscribed (in 10 thousand shares)	Trade restriction period	Termination date of the restriction period
1	Tieling Xinxin Copper Industry Co., Ltd.	1,120	12 months	July 15, 2011
2	Shi Baozhong	700	12 months	July 15, 2011
3	Zhang Xu	700	12 months	July 15, 2011
4	Zhongrong International Trust Co., Ltd.	700	12 months	July 15, 2011
5	Chen Binblin	1,000	12 months	July 15, 2011
6	Shen Cangqiong	574.52	12 months	July 15, 2011
<b>Total</b>		<b>4,794.52</b>		

#### (II) Profiles of the subscribers

##### 1. Tieling Xinxin Copper Industry Co., Ltd.

Nature of the subscriber: domestic non-state-owned corporation

Registered capital: RMB29.50 million

Legal representative: Wang Yi

Registration No. 211221004004300

Registration address: Xitaizi Town, Tieling County

Business scope: positive board, copper platform, copper string, copper plate, and copper-related consulting service and business

Import and export of merchandise and technologies, trade of wasted colored metals.

Relationship with the Company: non-associated

Business connection: no business connection

##### 2. Zhongrong International Trust Co., Ltd.

Nature of the subscriber: domestic non-state-owned corporation

Registered capital RMB325 million

Legal representative: Liu Yang

Registration No. 230100100002118

Registered address: 33 Songshan Road, Nangang, Ha'erbin

Business scope: licensed business operation, trust businesses according to the licensed financial projects.

Relationship with the Company: non-associated

Business connection: no business connection

### **3. Zhang Xu**

Nature of the subscriber: domestic natural person

ID Number: 110104\*\*\*\*\*

Address: Flat 523, Block 3, Tianqiaobeili, Xuanwu, Beijing

Relationship with the Company: non-associated

Business connection: no business connection

### **4. Shi Baozhong**

Nature of the subscriber: domestic natural person

ID Number: 330721\*\*\*\*\*

Address: 8 Beixiang, Dongshi Original Village, Dongqianshi Village, Yuandong County, Jintong, Jinhua, Zhejiang

Relationship with the Company: non-associated

Business connection: no business connection

### **5. Chen Binglin**

Nature of the subscriber: domestic natural person

ID Number: 440301\*\*\*\*\*

Address: Flat 706, Block 39, Huafuchun North, Futian, Shenzhen, Guangdong

Relationship with the Company: non-associated

Business connection: no business connection

### **6. Shen Cangqiong**

Nature of the subscriber: domestic natural person

ID Number: 330121\*\*\*\*\*

Address: Residential area, No.1 People's Hospital, Linping Street, Yuhang, Hangzhou

Relationship with the Company: non-associated

Business connection: no business connection

**(III) Significant trades between the subscribers and/or their associates with the**



**Company in the latest one year, and arrangement for future trades.**

No such significant trades between the subscribers and/or their associates with the Company in the latest one year other than this subscribing of private offering, and no arrangement for future trades.

## Chapter II. Company Profiles Before and After the Offering

### I. Company Profile

Name of the issuer: 方大集团股份有限公司

In English: CHINA FANGDA GROUP CO., LTD.

Stock Listed in: Shenzhen Stock Exchange

Stock ID: Fangda Group, Fangda B

Stock code: 000055,200055

Legal representative: Mr. Xiong Jianming

Incorporation date: April 20, 1994

Registered address: Fangda Building, Kejinan 12th Avenue, High-tech Zone, Shenzhen, PR China.

Secretary of the Board: Zhou Zhigang

Address: Fangda Town, Xili Longjing, Nanshan District, Shenzhen

Post code: 518055

Contact number: 0755-26788571-6622

Fax: 0755-26788353

Email: fd@fangda.com

Website address: www.fangda.com

Business scope:

New-type building materials, composite materials, metal wares, metal frames, environmental equipment and apparatus, fire fighting equipment, optical-mechanical-electrical integrated products, polymer materials and their products, fine chemical products, mechanical equipment, optical materials and devices, electronic displayer, audio-visual device, transport facilities, metro platform screen doors, a variety of HAVC equipment, water supply and drainage equipment, central air-conditioner and their parts and components, semiconductors and their components. Integrated circuits, lighting products and equipment, solar-energy products and their R&D. design, production. construction, sales and after-sales service ,property management, property leasing and parking-lot service of Fangda Building, Kejinan Road Section 12, and Fangda Town, 2 Longzhu Road Section 4, Nanshan, Shenzhen)

## II. Shareholding situations of the top 10 shareholders before and after the private offering

### (I) Shareholding before the private offering

As of May 31, 2010, the shareholding situation of the top 10 shareholders before the private offering is as:

No.	Name of the shareholder	Amount of shares	Share proportion %	Category of shares	Shares with trade restriction
1	Shenzhen Banglin Technologies Development Co., Ltd.	45,849,515	10.04%	Current A shares	0
2	Shenzhen Shilihe Investment Co., Ltd.	20,067,328	4.39%	Current A shares	0
3	Hong Kong Onforce International Co., Ltd.	17,120,000	3.75%	Current B shares	0
4	Bank of China – Haifutong Stock & Securities Investment Fund	3,949,807	0.86%	Current A shares	0
5	China Construction Bank – Haifutong Stylish Advantage Stock Investment Fund	3,599,868	0.79%	Current A shares	0
6	China Construction Bank – Shangtou Morgan Small-middle size stock investment fund	3,473,354	0.76%	Current A shares	0
7	China Industrial & Commercial Bank – Galaxy Yintai Financing Investment Fund	2,999,999	0.66%	Current A shares	0
8	China Industrial & Commercial Bank – Nuo'an Stock Investment Fund	2,540,955	0.56%	Current A shares	0
9	Cao Yifan	2,113,910	0.46%	Current B shares	0
10	Qian Weimin	1,950,000	0.43%	Current A shares	0
	<b>Total</b>	<b>103,664,736</b>	<b>22.70%</b>		

**(II) Shareholding after the private offering**

Shareholding to the top 10 shareholders upon completion of registration of the new shares:

No.	Name of the shareholder	Amount of shares	Share proportion %	Category of shares	Shares with trade restriction
1	Shenzhen Banglin Technologies Development Co., Ltd.	45,849,515	9.09	Current A shares	0
2	Shenzhen Shilihe Investment Co., Ltd.	20,067,328	3.98	Current A shares	0
3	Hong Kong Onforce International Co., Ltd.	12,000,000	2.38	Current B shares	0
4	Tieling Xinxin Copper Industry Co., Ltd.	11,200,000	2.22	A shares with restriction period	11,200,000
5	Chen Binblin	10,000,000	1.98	A shares with restriction period	10,000,000
6	Shi Baozhong	7,000,000	1.39	A shares with restriction period	7,000,000
7	Zhang Xu	7,000,000	1.39	A shares with restriction period	7,000,000
8	Zhongrong International Trust Co., Ltd.	7,000,000	1.39	A shares with restriction period	7,000,000
9	Shen Cangqiong	5,745,200	1.14	A shares with restriction period	5,745,200
10	China Construction Bank – Shangtou Morgan Small-middle size stock investment fund	4,073,269	0.81	Current A shares	0
	<b>Total</b>	<b>129,935,312</b>	<b>25.75%</b>		<b>47,945,200</b>

### III. Changes in shareholding structure

The shareholding structure has been changed as:

Class of shareholding	Before the private offer		After the private offer	
	Amount (shares)	Ratio (%)	Amount (shares)	Ratio (%)
I. Shares with trade restriction				
1. Domestic corporation shares	0	0	18,200,000	3.607
2. Natural person shares	69,628	0.015	29,814,828	5.909
Sub-total	69,628	0.015	48,014,828	9.516
II. Shares without trade restriction				
RMB common shares	232,624,317	50.940	232,624,317	46.100
Foreign shares listed domestic(B shares)	223,967,459	49.045	223,967,459	44.384
Sub-total	456,591,776	99.985	456,591,776	90.484
III. Total of share capital	456,661,404	100.00	504,606,604	100.00

### IV. Change of shareholding by directors, supervisors and executives of the Company

No change occurred to the shareholding situation of the directors, supervisors and executives of the Company.

### V. Influences and changes the private offering has made on the Company

#### (I) Influences on capital structure

Upon completion of the private offering, the Company's net asset has increased by RMB335,385,071.73 and the liability on asset ratio has decreased, asset quality was improved, solvency was obviously increased, financing ability was raised, and the capital structure became more rational.

#### (II) Change in business structure

The Company has been focusing on production and sales of construction curtain wall. Upon completion of the projects financed by the private offering, the Company will further expand its productivity and business scale, however the business structure will stay unchanged. The Company's main businesses haven't changed ever since it was founded. They won't be changed by this private offering.

Launching of the projects financed by this private offering will further strengthen the main business and increase the capability in terms of competition, profitability and

risk-resistance, and will assist the Company to consolidate its leading position in the whole industry.

### **(III) Change in company administration**

Mr. Xiong Jianming is still the substantial controlling person upon completion of the private offering, thus the controlling power will not change. Introducing of new investors will benefit improving of the Company's administrative structure.

### **(IV) Change in executive structure**

No change will occur on the structure of Board, the Supervisory Committee and the senior executives.

### **(V) Change in related transactions**

No change made on the business transactions and relationship between the Company and the controlling shareholder and its associates by the private offering. No related transaction will occur among them either upon launching of the projects financed by the private offering.

### **(VI) Change in horizontal competition**

No change made on the business transactions and relationship between the Company and the controlling shareholder and its associates by the private offering. No horizontal competition will occur among them either upon launching of the projects financed by the private offering.

## Chapter III. Financial Information and Management Analysis

### I. Financial information

#### (I) Main data of the balance sheet, income statement, and cash flow statement of the latest three years

##### 1. The consolidated balance sheet

In RMB Yuan

Items	December 31, 2009	December 31, 2008	December 31, 2007
Total of assets	1,482,814,012.11	1,395,570,931.42	1,316,903,872.37
Total of liability	768,403,722.42	768,250,734.02	663,341,393.44
Total of owner' s equity belong to the parent company	623,295,593.57	559,715,901.95	581,919,810.07
Minor shareholders' equity	91,114,696.12	67,604,295.45	71,642,668.86
Total of owners' equity	714,410,289.69	627,320,197.40	653,562,478.93

##### 2. The consolidated income statement

In RMB Yuan

Items	Year 2009	Year 2008	Year 2007
Turnover	912,979,118.31	784,720,562.64	640,246,885.64
Operation cost	749,102,723.26	645,609,306.60	536,294,233.72
Operation profit	43,189,525.60	19,462,606.89	5,976,620.54
Total profit	45,108,302.29	16,312,073.26	23,850,523.77
Net profit	36,936,912.13	19,222,508.50	23,498,080.51

##### 3. The consolidated cash flow statement

In RMB Yuan

Items	Year 2009	Year 2008	Year 2007
Cash flow generated by business operation, net	46,698,915.92	23,093,735.18	81,895,449.43
Net cash flow generated by investment	10,570,947.07	10,833,717.47	-20,596,127.40
Net cash flow generated by financing	41,293,840.90	-37,607,980.85	-10,595,155.44
Balance of cash and cash equivalents at end of term	210,823,550.83	112,333,106.38	116,475,712.69

**(II) Primary financial indices of latest three years**

The primary financial indices:

Ratio indices		Year 2009 (End)	Year 2008 (End)	Year 2007 (End)
Liability on asset ratio (parent co.)		41.82%	39.22%	42.46%
Liability on asset ratio (consolidated)		51.82%	55.05%	50.37%
Liquidity ratio		1.10	1.27	1.31
Speed ratio		0.83	1.01	1.10
Net asset per share (RMB)		1.46	1.31	1.50
Net cash flow of business operation per share (RMB)		0.11	0.05	0.21
Net cash flow per share (RMB)		0.23	-0.01	0.13
Interest coverage ratio		3.14	1.59	1.82
Net income on asset ratio before deducting of non-recurring gain/loss	weighted average	7.43%	4.12%	4.59%
Net income on asset ratio after deducting of non-recurring gain/loss	weighted average	3.60%	0.42%	-6.15%
Earnings per share before deducting of non-recurring gain/loss (RMB)	Basic earnings per share	0.10	0.05	0.06
	Diluted gains per share	0.10	0.05	0.06
Earnings per share after deducting of non-recurring gain/loss (RMB)	Basic earnings per share	0.05	0.01	-0.08
	Diluted earnings per share	0.05	0.01	-0.08

**(III) Financial indices adjusted upon completion of this private offering**

47.9452 million shares were placed and raised RMB335,385,071.73 of net capital, the financial indices adjusted after the private offering were:

Financial indices		December 31, 2009/year 2009	Upon completion of dividend and common reserve capitalizing plan of year 2009	After the private offer
Shareholders' equity attributable to the parent company	(RMB)	623,295,593.57	623,295,593.57	958,680,665.30
Amount of shares	(shares)	426,786,359	456,661,404	504,606,604
Net asset per share	(RMB/share)	1.46	1.36	1.90
Earnings per share	(RMB/share)	0.103	0.096	0.087
Net earnings / asset	(%)	7.07%	7.07%	4.60%



**(IV) Details of non-recurring gain/loss of latest three years**

In RMB Yuan

Non-recurring gain and loss items	Year 2009	Year 2008	Year 2007
Gain/loss from disposal of non-working capital, including the neutralized part of the impairment provision provided already	-770,498.33	-25,534.84	55,761.72
Government subsidy recorded into current income account (except for those immediately related to the Company's business and granted at certain amount stipulated by the national government)	5,359,369.24	3,417,346.29	11,756,035.47
Gain/loss from debt reorganization	-1,835,416.43	-3,372,824.52	344,176.42
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	33,005,842.49	2,069,943.32
Restoring of receivable account impairment provision tested individually		-266,607.85	
Gain/loss from entrusted loans	308,534.09		
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	6,322,964.35	-4,935,520.24	42,321,760.27
Net amount of other non-operational gain/expenses other than the above	-834,677.79	-3,275,491.00	4,027,266.06
Other gain/loss items satisfying the definition of non-recurring gain/loss account			1,360,833.10
Total of non-recurring gain/loss (influence on total profit)	25,164,354.44	24,547,210.33	61,935,776.36
Less: Influence of income tax	1,389,222.90	3,525,887.89	1,224,435.76
Net non-recurring gain/loss (influence on net profit)	23,775,131.54	21,021,322.44	60,711,340.60
Influence of minor shareholders' gain/loss	1,027,536.16	151,468.34	3,699,121.39
Influence on net profit attributable to common shareholders of the parent company	22,747,595.38	20,869,854.10	57,012,219.21
Net profit attributable to common shareholders of the Company after deducting of non-recurring gain/loss	21,304,916.08	2,391,027.81	-32,626,195.59

## II. Management analyzing

### (I) Profitability analyze

Primary indices reflecting the profitability of the Company in the latest three years:

In RMB Yuan

Items	Year 2009	Year 2008	Year 2007
Turnover	912,979,118.31	784,720,562.64	640,246,885.64
Operation cost	749,102,723.26	645,609,306.60	536,294,233.72
Financial expenses	18,013,928.09	28,184,199.42	27,991,185.35
Asset impairment loss	10,506,669.12	10,836,592.54	11,934,843.65
Gain/loss from change of fair value	6,322,964.35	-4,935,520.24	42,431,760.27
Investment income	16,912,970.16	32,912,191.74	379,279.76
Operation profit	43,189,525.60	19,462,606.89	5,976,620.54
Non-operational income	8,181,048.77	5,132,826.09	21,572,038.08
Non-operational expenditure	6,262,272.08	8,283,359.72	3,698,134.85
Total profit	45,108,302.29	16,312,073.26	23,850,523.77
Net profit	36,936,912.13	19,222,508.50	23,498,080.51
Net profit attributable to the owners of parent co.	44,052,511.46	23,260,881.91	24,386,023.62
Net profit attributable to the shareholders of the parent company after deducting of non-recurring gain/loss	21,304,916.08	2,391,027.81	-32,626,195.59

The issuer has been making profit in the latest three years, net profit after deducting of non-recurring gain/loss was increasing continuously, and the profitability was growing significantly.

Net profit after deducting of non-recurring gain/loss in 2008 and 2009 was RMB2.39 million and RMB21.30 million respectively, which had increased significantly year on year.

Net profit after deducting of non-recurring gain/loss turned positive in 2008, which was caused by increasing of main business turnover and gross profit as well. The business turnover of 2008 increased by 22.57% over that of 2007, the gross profit ratio increased from 16.24% to 17.73%, the gross profit amount of 2008 has increased by RMB35.16 million over 2007.

Significant increase of net profit after deducting of non-recurring gain/loss in 2009 over 2008 was caused by YoY increasing of business turnover and gross profit. Enlarging of high-end curtain wall product portion has also contributed to the increasing of gross profit ratio.

**(II) Cash flow analyze**

Composition of cash flow in latest three years:

In RMB yuan

Items	Inflow	Percentage	Outflow	Percentage	Net amount
<b>Year 2009</b>					
Net Cash flow generated by business operation	911,999,134.65	52.75%	865,300,218.73	53.08%	46,698,915.92
Cash flow from investment activities	28,293,070.40	1.64%	17,722,123.33	1.09%	10,570,947.07
Cash flow from issuing of securities	788,469,885.77	45.61%	747,176,044.87	45.83%	41,293,840.90
<b>Total</b>	<b>1,728,762,090.82</b>	<b>100%</b>	<b>1,630,198,386.93</b>	<b>100%</b>	<b>98,563,703.89</b>
<b>Year 2008</b>					
Net Cash flow generated by business operation	790,443,052.09	69.42%	767,349,316.91	67.17%	23,093,735.18
Cash flow from investment activities	80,723,101.06	7.09%	69,889,383.59	6.12%	10,833,717.47
Cash flow from issuing of securities	267,518,000.00	23.49%	305,125,980.85	26.71%	-37,607,980.85
<b>Total</b>	<b>1,138,684,153.15</b>	<b>100%</b>	<b>1,142,364,681.35</b>	<b>100%</b>	<b>-3,680,528.20</b>
<b>Year 2007</b>					
Net Cash flow generated by business operation	757,033,791.33	46.84%	675,138,341.90	43.13%	81,895,449.43
Cash flow from investment activities	10,040,227.90	0.62%	30,636,355.30	1.96%	-20,596,127.40
Cash flow from issuing of securities	849,000,000.00	52.53%	859,595,155.44	54.91%	-10,595,155.44
<b>Total</b>	<b>1,616,074,019.23</b>	<b>100%</b>	<b>1,565,369,852.64</b>	<b>100%</b>	<b>50,704,166.59</b>

For year 2008, the net cash flow of business operation was RMB23,093,735.18, significantly decreased from RMB81,895,449.43 of year 2007. This was mainly caused by increasing of inventory at end of 2008 by RMB52,681,776.26 over that at end of 2007, and caused increasing of cash outflow for business operation. In 2009, along with the increasing of sales income and retrieving of receivable accounts, RMB46,698,915.92 of net inflow from business operation has occurred.

Net cash flow of investment was negative in 2007, this was in connection with expanding of production scale. Net cash flow of investment turned to RMB10,833,717.47 positive, which was caused by disposing most of the disposable financial assets in 2008 and brought great amount of net cash inflow from investment. Net cash outflow of financing operations was mainly the loan interests paid by the Company.

## Chapter IV. Application of the Capital Raised

### I. Basic information of capital application

The capital raised this time was predicted up to RMB350 million, and will be invested into the following projects:

No.	Projects	Filing authority and Ref. No.	Total investment RMB0'000	Proposed investment by the capital raised (RMB0'000)	Projected construction period
1	Energy-saving curtain wall and PV curtain wall production expanding project	Development and Reformation Committee of Nanchang 洪发改工交备字[2009]64号	30,055	21,000	12 months
2	Expanding of PSD project	Development and Reformation Committee of Nanchang 洪发改工交备字[2009]63号	20,446	14,000	12 months
Total		----	50,501	35,000	----

Without changing the projects financed by the capital raised in this private offering, the Board of Directors of the Company has made certain adjustment on the sequence and amount of investment according to practical needs of the projects. In case the Company financed the projects by its own fund or bank loans before the input of capital by this private offering, the fund or loans will be replaced as soon as the capital was input by the private offering.

### II. Profiles of the investment projects

#### (I) Energy-saving curtain wall and PV curtain wall production expanding project

##### 1. Productivity

According to the needs of production, the Company is going to enlarge the workshops and install new equipment, this should increase the productivity of energy-saving curtain wall and PV curtain wall production by 1.4 million square meters and sales income by RMB1 billion per year. The technical advantage and industrial foundation will be consolidated and the product lines will be upgraded.

## 2. Investment budget

The energy-saving curtain wall and PV curtain wall production project will be invested with RMB300.5517 million in total, including RMB170.5517 of construction work, and RMB130 million of fundamental working capital. RMB210 million of the capital raised by this private offering will be invested into this project, including RMB170 million of construction work and RMB40 million for fundamental working capital. The shorted part will be financed by the Company independently.

## 3. Main financial indices

No.	Name of the project	Unit	Value
1	Overall return on investment (ROI)	%	35.00
2	Net profit on capital (BOE)	%	26.25
3	Static investment pay-back period (before fund raising and tax)	Year	3.51
4	Static investment pay-back period (after fund raising and tax)	Year	4.23
5	(Before fund raising and tax) Internal gain rate of investment	%	46.70
6	(After tax upon capital fund) Internal gain rate of project capital	%	34.25

## 4. Subject of project operation

Fangda Decoration – subsidiary of the Issuer, is the subject of project operation. Fangda Decoration has setup a branch company in Nanchang Jiangxi to handle the project.

## 5. Location and land of the project

The project is planned to be constructed in Nanchang Jiangxi.

The land for construction is of 25,900.05 square meters located in Nanchang High-tech Zone (Land license No. 高新国用(2009)第1-017号), which was input by Fangda New Materials to Fangda Decoration approved by its shareholder's meeting.

## 6. Environment projection

The Report of Environment Influence of the project was approved by Environment Protection Bureau of Nanchang with document 洪环监督[2009]278号. The industrial waste discharge and noise treatment of the project is complying with the national standard.

## (II) Metro platform screen door production expanding project

### 1. Productivity

According to the needs of production, the Company is going to enlarge the workshops and install new equipment, which should increase the productivity of metro platform screen door production by 6500 units and income of RMB400 million (tax included) per year.

### 2. Investment budget

The project is proposed for total investment of RMB204.4622 million including RMB124.4622 million in construction work and RMB80 million of fundamental working capital. Among them, RMB140 million will be financed by the private offering, including RMB120 million for construction work and RMB20 million for working capital. The shorted part will be financed by the Company independently.

### 3. Main financial indices

No.	Name of the project	Unit	Value
1	Overall return on investment (ROI)	%	28.07
2	Net profit on capital (BOE)	%	23.89
3	Static investment pay-back period (before fund raising and tax)	Year	4.05
4	Static investment pay-back period (after fund raising and tax)	Year	4.51
5	(Before fund raising and tax) Internal gain rate of investment	%	36.15
6	(After tax upon capital fund) Internal gain rate of project capital	%	30.60

### 4. Subject of project operation

Fangda Automatic – the subsidiary of the Issuer, is the subject of project operation. Fangda Automatic has setup a branch company in Nanchang Jiangxi to handle the project operation.

### 5. Location and land of the project

The project is planned to be constructed in Nanchang Jiangxi.

The land for construction is of 21,768.54 square meters located in Nanchang High-tech Zone (Land license No. 高新国用(2009)第1-018号), which was input by Fangda New Material into Fangda Decoration approved by its shareholder's meeting.

## 6. Environment projection

The Report of Environment Influence of the project was approved by Environment Protection Bureau of Nanchang with document 洪环监督[2009]279号. The industrial waste discharge and noise treatment of the project is complying with the national standard.

### III. Particulars about storage of the capital raised

The Company has established regulations regarding storage of raised capital and will strictly implement it. Capital input will be saved in the following special accounts and used strictly for the proposed projects:

(I) Name of the Bank: China Construction Bank OCT Branch

Account No. 44201518300059000055

Name of the account: China Fangda Group Co., Ltd.

(II) Name of the Bank: CITIC Bank Shenzhen Jinshan Branch

Account No. 7442310182600028891

Name of the account: China Fangda Group Co., Ltd.

A 3-party supervisory agreement has been entered by the Sponsor, the Banks, and the Company within one month since the capital input according to the “Capital Raising Administration Rules of Shenzhen Stock Exchange”. All of the parties of the agreement will supervise the using of capital raised.

## **Chapter V. Opinions of the Agency Institutions**

### **I. Sponsor's conclusive opinions on the validity of offering procedures and subscribers**

Zhongshan Securities Co., Ltd. – the Sponsor, deems that: “This private offering has been approved at the 1st provisional shareholders’ meeting 2009 of the Company, and obtained approval from CSRC as well. The whole procedures were under the principle of fair and just. Deciding of offering list, delivering of subscribing invitation, receiving and validation of subscribing application, pricing and placing procedures were testified by Beijing Jingtian Gongcheng Law Firm, and were complying with the laws, regulations and administrative rules regarding private offering of shares. Thus the result of the private offering was fair and just.”

### **II. Sponsor's conclusive opinion on sponsoring the listing of shares of this private offering**

Zhongshan Securities has verified the information carried in the listing documents prepared by the Issuer, and deems that they were authentic, complete and complying with the requirements. No false record, misleading statement or major omission was found. The Issuer has been complying with the Company Law of PRC, Securities Law of PRC, and Listing Rules of Shenzhen Stock Exchange, and was qualified for listing. The Issuer has established a healthy legal person administration structure with rigorous regulations regarding information disclosure. The Sponsor is willing to sponsor the listing of shares from the private offering and to assume responsibilities as the sponsor.

### **III. The attorney's conclusive opinions on the validity of offering procedures and subscribers**

Beijing Jingtian Gongcheng Law Firm - the attorney of the Issuer, deems that, the issuer has obtained necessary authorizations and approvals before undertaking the private offering. The objects and procedures of the private offering were complying with the Administration Rules of Stock Placing by PLC, the Detailed Rules, Securites Placing and Distribution Rules as well as the Share Offering Plan. The result of the offering was fair and just and complying with the Administration Rules of Stock Placing by PLC, the Detailed Rules, Securites Placing and Distribution Rules, thus valid and effective. The content and form of the legal documents such as the Subscribing Invitation, the Supplementary Regulations of Subscribing Invitation for Private Offering by Fangda Group, the Subscribing Offer, and Share Subscribing Agreement were complying with the laws and regulations, thus valid and effective.



## **Chapter VI. Listing Date and Amount of the New Shares**

The 47.9452 million shares raised in the private offering have been registered with China Securities Depository & Clearing Corporation Ltd. Shenzhen Branch on June 21, 2010.

The newly raised shares were A shares with trade restriction period and will be listed on July 15, 2010. According to related regulations of Shenzhen Stock Exchange, the Company's share price on July 15, 2010 will be free of ex-rights, and has no limitation of fluctuation scale.

Shares subscribed by the investors during this private issuing are subject to 12 months of trade restriction period, and will be released for public offer on July 15 2011.

## Chapter VII. Institutions in Connection with the Private

### Offering

#### I. The Sponsor (the primary distributor)

Name: Zhongshan Securities Co., Ltd.  
Legal representative: Wu Yongliang  
Representative of the Sponsor: Li Yi, He Lihui  
Project coordinator: Cui Lei  
Members of project team: Luan Xinlin, Li Wei, Yuan Qing, He Le, Liu Cheng  
Office address: 1103 New World Center, 6009 Yitian Road, Futian Shenzhen  
Tel: 0757-82520746, 0755-82520571  
Fax: 0755-23982961 0755-82783767 0755-82520411

#### II. Attorney of the Issuer

Name: Beijing Jingtian Gongcheng Law Firm  
Responsible person: Zhang Xusheng  
Lawyers assigned for the project: Kong Yuquan, Hu Anxi  
Office address: 2401 New World Center, 6009 Yitian Road, Futian Shenzhen  
Contact number: 0755-23982200  
Fax: 0755-23982211

#### III. The capital verification agency of the Issuer

Name: Shenzhen Nanfang Minhe Certified Public Accountants Ltd.  
Responsible person: Xie Jun  
CPA signing on reports: Li Qiaoyi, Li Hua  
Registered address: 7-8/F Electronics Building, 2072 Shennan Road Center, Shenzhen  
Fax: 0755-82521870  
Tel: 0755-82522141

#### IV. The auditor of the Issuer

Name: Ascenda Certified Public Accountants  
Responsible person: Liang Qingmin  
CPA signing on reports: Lin Kaixin, Chen Zhaoxin  
Registered address: A-12/F, Global Trade Center, 36 Beishanhuan Rd. East, Dongcheng District, Beijing  
Fax: 010-59535599  
Tel: 010-59535588



## **Chapter VIII. Documents for Reference**

### **I. Documents for references**

Investors may refer to the following legal documents related to the private offering:

- (I) Sponsoring Statement and Diligence Report issued by Zhongshan Securities Co., Ltd. about the private issuing;
- (II) Legal Statement and Lawyers' Report issued by Beijing Jingtian Gongcheng Law Firm about the private issuing;
- (III) Official approval documents issued by China Securities Regulatory Commission.

### **II. Time/date for inquiring**

9:00 – 11:30 and 14:00 – 17:00 on working days.

### **III. Location of the documents**

(I) The Issuer: China Fangda Group Co., Ltd.

Office address: Fangda Town, Longjing, Xili, Nanshan, Shenzhen

Tel: 0757-26788571-6622

Liaison: Zhou Zhigang

(II) The Sponsor (the primary distributor): Zhongshan Securities Co., Ltd.

Office address: 1103 New World Center, 6009 Yitian Road, Futian Shenzhen

Tel: 0755-82520746

Liaison: Li Wei, He Le

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

**July 13, 2010**