

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

## **2018 Annual Report**

**January 2019**

## **Chapter I Important Statement, Table of Contents and Definitions**

**The members of the Board and the Company guarantee that the announcement is free from any false information, misleading statement or material omission and are jointly and severally liable for the information's truthfulness, accuracy and integrity.**

**Mr. XiongJianming, the Chairman of Board, Mr. Lin Kebin, the Chief Financial Officer, and Mr. Wu Bohua, the manager of accounting department declare: the Financial Report carried in this report is authentic and completed.**

**All the Directors have attended the meeting of the board meeting at which this report was examined.**

**Forward-looking statements involved in this report including future plans do not make any material promise to investors. Investors should pay attention to investment risks.**

**The Company needs to comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business and disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.3 – Listed Companies Engaged in Property Development.**

**The Company has specified market, management and production and operation risks in this report. Please review the potential risks and measures**

**mentioned in the discussion and analysis of future development in IV. Operation Discussion and Analysis.**

**The Board meeting reviewed and approved the profit distribution preplan: distributing cash dividend of RMB2.00 (tax included) for each ten shares to all shareholders on the basis of 1,123,384,189 shares of the Company and no dividend share is issued to shareholders. No reserve is capitalized.**

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## Definitions

Terms	Refers to	Description
Fangda Group, company, the Company	Refers to	China Fangda Group Co., Ltd.
Articles of Association	Refers to	Articles of Association of China Fangda Group Co., Ltd.
Meeting of shareholders	Refers to	Meetings of shareholders of China Fangda Group Co., Ltd.
Board of Directors	Refers to	Board of Directors of China Fangda Group Co., Ltd.
Supervisory Committee	Refers to	Supervisory Committee of China Fangda Group Co., Ltd.
Banglin Co.	Refers to	Shenzhen Banglin Technologies Development Co., Ltd.
Shilihe Co.	Refers to	Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)
Shengjiu Co.	Refers to	Shengjiu Investment Ltd.
FangdaJianke	Refers to	Shenzhen FangdaJianke Group Co., Ltd.
FangdaZhichuang	Refers to	FangdaZhichuang Science and Technology Co., Ltd.
Fangda New Material	Refers to	Fangda New Materials (Jiangxi) Co., Ltd.
Fangda New Resource	Refers to	Shenzhen Fangda New Energy Co., Ltd.
Fangda Property	Refers to	Shenzhen Fangda Property Development Co., Ltd.
Chengdu FangdaJianke	Refers to	ChengdaFangda Construction Technology Co., Ltd.
Dongguan Fangda New Material	Refers to	Dongguan Fangda New Material Co., Ltd.
Kechuangyuan Software	Refers to	Shenzhen QianhaiKechuangyuan Software Co., Ltd.

	to	
Kexunda Co.	Refers to	Shenzhen Kexunda Software Co., Ltd.
Fangda Property	Refers to	Shenzhen Fangda Property Management Co., Ltd.
Jiangxi Property	Refers to	Fangda (Jiangxi) Property Development Co., Ltd.
Hongjun Investment Company	Refers to	Shenzhen Hongjun Investment Co., Ltd.
FangdaQingling	Refers to	Shanghai FangdaQingling Technology Co., Ltd.
Fangda Cloud Rail	Refers to	Shenzhen Fangda Cloud Rail Technology Co., Ltd.
Jianke Australia	Refers to	Fangda Australia Pty Ltd
Automatic Hong Kong	Refers to	Fangda Automation (Hong Kong) Co., Ltd.
Shihui International	Refers to	Shihui International Holding Co., Ltd.
Shenyang Decoration	Refers to	Fangda Decoration Engineering (Shenyang) Co., Ltd.
Shenyang Fangda	Refers to	Shenyang Fangda Semi-conductor Lighting Co., Ltd.
Shenzhen Woke	Refers to	Shenzhen Woke Semi-conductor Lighting Co., Ltd.
SZSE	Refers to	Shenzhen Stock Exchange

## Chapter II About the Company and Financial Highlights

### 1. Company profiles

Stock ID	Fangda Group, Fangda B	Stock code	000055、200055
Modified stock ID (if any)	None		
Stock Exchange	Shenzhen Stock Exchange		
Chinese name	China Fangda Group Co., Ltd.		
Chinese abbreviation	Fangda Group		
English name (if any)	CHINA FANGDA GROUP CO., LTD.		
English abbreviation (if any)	CFGC		
Registered address	Fangda Technology Building, Kejinan 12 <sup>th</sup> Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.		
Zip code	518057		
Office address	20F, Fangda Technology Building, Kejinan 12 <sup>th</sup> Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.		
Zip code	518057		
Website	<a href="http://www.fangda.com">http://www.fangda.com</a>		
Email	fd@fangda.com		

### 2. Contacts and liaisons

	Secretary of the Board	Representative of Stock Affairs
Name	Zhou Zhigang	GuoLinchen
Address	20F, Fangda Technology Building, Kejinan 12 <sup>th</sup> Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.	20F, Fangda Technology Building, Kejinan 12 <sup>th</sup> Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.
Tel.	86(755) 26788571 ext. 6622	86(755) 26788571 ext. 6622
Fax	86(755)26788353	86(755)26788353
Email	zqb@fangda.com	zqb@fangda.com

### 3. Information disclosure and inquiring

Press medias of information disclosure	China Securities Journal, Security Times, Shanghai Securities Daily, Hong Kong Commercial Daily
Website assigned by CSRC to release the online	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

reports	
Place for information inquiry	Secretarial Office of the Board

#### 4. Registration changes

Organization code	None
Changes in main businesses since the listing of the Company	None
Changes in the controlling shareholders (if any)	None

#### 5. Other information

Public accountants employed by the Company

Public accountants	Grant Thornton (limited liability partnership)
Address	5 <sup>th</sup> Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing, China
Signing accountant names	Chen Zhaoxin, Zeng Hui

Sponsor engaged by the Company to perform continued supervision and guide during the reporting period

☐ Applicable ☒ Inapplicable

Financial advisor engaged by the Company to perform continued supervision and guide during the reporting period

☐ Applicable ☒ Inapplicable

#### 6. Financial Highlight

Whether the Company needs to make retroactive adjustment or restatement of financial data of previous years

☐ Yes ☒ No

	2018	2017	Increase/decrease	2016
Turnover (yuan)	3,048,680,152.06	2,947,470,813.58	3.43%	4,203,866,173.72
Net profit attributable to shareholders of the listed company (yuan)	2,246,164,571.68	1,144,404,441.03	96.27%	697,956,378.23
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss (RMB)	21,171,063.10	366,212,412.32	-94.22%	623,075,474.92
Net cash flow generated by business operation (RMB)	387,102,719.57	557,833,145.73	-30.61%	465,717,074.92
Basic earnings per share (yuan/share)	1.91	0.97	96.91%	0.6



Diluted Earnings per share (yuan/share)	1.91	0.97	96.91%	0.6
Weighted average net income/asset ratio	53.17%	41.53%	11.64%	38.83%
	End of 2018	End of 2017	Increase/decrease from the end of last year	End of 2016
Total asset (RMB)	10,658,854,133.73	7,625,422,688.63	39.78%	6,787,051,278.08
Net profit attributable to the shareholders of the listed company (RMB)	5,195,187,621.88	3,238,939,202.18	60.40%	2,364,262,560.28

Note: The Company's main industrial curtain wall system and materials industry realized operating income of RMB2.011 billion this year, an increase of 21.59% over the previous year; the gross profit margin for the year was 14.41%, an increase of 3.38% over the previous year; and the net profit after deducting non-recurring gains and losses was RMB97,998,900, an increase of 1,123% over the previous year.

## 7. Differences in accounting data under domestic and foreign accounting standards

### 1. Differences in net profits and assets in financial statements disclosed according to the international and Chinese account standards

☐ Applicable ☒ Inapplicable

There is no difference in net profits and assets in financial statements disclosed according to the international and Chinese account standards during the report period.

### 2. Differences in net profits and assets in financial statements disclosed according to the overseas and Chinese account standards

☐ Applicable ☒ Inapplicable

There is no difference in net profits and assets in financial statements disclosed according to the international and Chinese account standards during the report period.

## 8. Financial highlights by quarters

In RMB

	Q1	Q2	Q3	Q4
Turnover	650,032,997.33	792,017,899.20	793,250,321.93	813,378,933.60
Net profit attributable to the shareholders of the listed company	98,377,550.44	131,754,112.75	91,338,344.89	1,924,694,563.60
Net profit attributable to the shareholders of the listed company and after deducting of	88,737,051.63	120,968,066.71	85,861,046.88	-274,395,102.12

non-recurring gain/loss				
Cash flow generated by business operations, net	-40,623,633.07	9,197,365.43	144,038,826.38	274,490,160.83

Where there is difference between the above-mentioned financial data or sum and related financial data in quarter report and interim report disclosed by the Company

☐ Yes ☒ No

## 9. Accidental gain/loss item and amount

☒ Applicable ☐ Inapplicable

In RMB

Item	2018	2017	2016	Notes
Non-current asset disposal gain/loss (including the write-off part for which assets impairment provision is made)	-5,080,792.02	89,483,320.53	-3,080,469.74	
Subsidies accounted into the current income account (except the government subsidy closely related to the enterprise's business and based on unified national standard quota)	5,931,937.15	5,637,910.24	7,571,963.67	
Capital using expense charged to non-financial enterprises and accounted into the current income account	922,330.10			
Gain from entrusted investment or assets management	27,065,331.33	20,455,865.70	1,401,717.08	
Gain/loss from debt reorganization		-3,674,141.05	-2,445,254.63	
Gain/loss from change of fair value of transactional financial 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	-1,192,774.07	2,013,922.62	2,369,839.47	
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	2,916,598,485.48	889,708,083.34	11,558,304.10	
Other non-business income and expenditures other than the above	1,675,521.71	4,054,553.86	5,857,845.48	
Other gain/loss items satisfying the definition of non-recurring gain/loss account			58,154,670.60	

Less: Influenced amount of income tax	720,926,531.10	220,906,068.58	6,168,477.85	
Influenced amount of minority shareholders' equity (after-tax)		8,581,417.95	339,234.87	
Total	2,224,993,508.58	778,192,028.71	74,880,903.31	--

Explanation statement should be made for accidental gain/loss items defined and accidental gain/loss items defined as regular gain/loss items according to the Explanation Announcement of Information Disclosure No. 1 - Non-recurring gain/loss mentioned.

☐ Applicable ☒ Inapplicable

No circumstance that should be defined as recurrent profit and loss according to *Explanation Announcement of Information Disclosure No. 1 - Non-recurring gain/loss* occurs in the report period.

## Chapter III Business Introduction

### 1. Major businesses of the Company during the report period

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

The Company is headquartered in Nanshan District of Shenzhen and became listed in Shenzhen Stock Exchange on November 29, 1995. Currently, five major business subsidiaries of the Company are national high-tech enterprises with large modern production bases in Shenzhen, Shanghai, Chengdu, Nanchang, Dongguan and Foshan. The Company was engaged in the following businesses in the report period.

#### 1. High-end curtain wall system and material business

##### (1) Main products and purposes

The Company's main products include energy-saving curtain walls, photo-electricity curtain walls, LED color-display curtain walls and aluminum plate materials. Construction curtain walls are mainly used on high-level buildings, large-area public venues such as airports, stations, cultural centers and exhibition centers, daylighting roof, shaped construction (ball-shaped and clock-shaped buildings) with external retaining and decoration functions.

##### (2) Main business modes, specific risks and changes;

The projects implemented by the Company are mainly through the bidding method to obtain contract orders. Project design, material procurement, production and processing, and the construction and installation and after-sales service model are based on the contract orders. The main risk of this mode is that it takes a long period of time from the completion of the order to the completion of the project, and it is highly dependent on raw materials and labor costs. It is greatly affected by the national industrial policy, raw material prices, and labor market fluctuations. Different contract orders have different requirements, imposing high requirements on production management. The Company's curtain wall products are engineered by itself. The operation mode remained unchanged in the report period.

##### (3) Main business drive

See 3. Core competitiveness analysis in this chapter.

##### (4) Development stage of the industry, circle and industry position

The construction of office buildings and urban complexes in first- and second-tier cities in China has maintained a relatively stable rhythm and volume. The use of building curtain walls in high-end residential and apartment buildings has increased. Building curtain walls remain the most common design element for public buildings such as airports, stations, cultural stadiums, schools and hospitals. The curtain wall industry is mature, the scale is stable and there is no obvious periodicity.

With the Belt and Road Initiative, Guangdong-Hong Kong-Macao Bay District and the construction of Xiong'an New District as a major national strategy, it has provided a broader and better development opportunity for the energy-saving curtain wall and materials business. The Company is a pioneer and first listed company in this industry. Over the past more than 20 years, the Company has undertaken hundreds of large projects and received the highest award in the industry China Construction Luban Award and Zhan Tianyou Civil Engineering Award for many times. The Company has also received nearly 100 provincial and above awards. The Company has been in the top 10 of "China's top 100 building curtain wall industry" for many years, and has already had strong brand advantages and competitiveness in the industry. The Company has a strong technology lead in the industry with 437 patents,

including 36 intention patents and two software copyrights. The Company also took part in the preparation of 22 national or industry standards including the Public Construction Energy Saving Design Standard, making 9 records among Chinese enterprises. The Company has a Class A qualification for building curtain wall engineering contracting and class A qualification for building curtain wall engineering design. It is the highest level for curtain wall design and construction companies in China.

**(5) Macroeconomic situation of the industry, the impact of changes in the industrial policy environment on the Company, and the countermeasures taken by the Company**

In 2018, the supply-side reform continued to deepen and industry development opportunities and challenges coexisted. With the continuous strengthening of the national environmental protection policy and the fluctuation of the price of international energy and metal materials, the price of most of the building materials is rising, which brings big challenge to the curtain wall industry. However, the comprehensive promotion of the construction of the Guangdong, Hong Kong, and Macau Bay Area and the Xiong'an New District has also brought many opportunities to the industry.

In 2018, the Company will continue to steadily and securely operate traditional high-quality markets such as Guangdong-Hong Kong-Macao Bay District, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing areas and promote overseas markets step by step. The Company will establish a long-term development mechanism for the team, continue to enhance brand image, focus on key customers and enrich quality, and establish strategic alliances with outstanding companies. The Company will accelerate the construction of the Chengdu Xinjin production base and the Shanghai Songjiang production base and create conditions for the Company to increase production, increase revenue and continue to develop rapidly.

**(6) Quality control system, implementation standards, control measures and overall evaluation**

Quality control system: The Company implements a comprehensive quality management system and has established a quality management system in accordance with ISO9001 from the aspects of design, procurement, storage, production, testing, delivery, installation, and after-sales service, and conduct regular reviews.

Implementation of the standard: In the process of building curtain wall business, the Company strictly complies with GB/T21086-2007 "Building Curtain Wall", JG/T231-2007 "Building Glass Lighting Roof" and other national and industrial standards.

Control measures: The Company has established complete and effective quality control measures and quality management bodies, and strictly implements various quality management and control measures.

Overall evaluation: The Company's products and project quality are in full compliance with the relevant requirements of the relevant national standards and standards, and maintain proper operation, providing customers with stable and reliable quality products and engineering.

**(7) Major project quality problem during the reporting period**

None.

**2. Rail transport equipment business**

The Company's main products in this sector are rail transport screen door systems, which are a necessary part of modern subway system. It is installed at the edge of the subway platform and separates trains from the platform. The Company seeks to win orders through tenders and purchase raw materials and arrange production based on orders. The Company has built a complete industry chain that integrates designing, production, engineering and after-sales services. The operation mode remained unchanged in the report period. The Company has developed rail transport screen door systems with independent intellectual property rights. The Company also prepared the first Rail Transport Station Screen Door Standard. The Fangda metro screen door system which is at the international advanced level has been applied in subways in 37 cities around the world. More than 10 million people use the large subway screen door system every day. The Fangda screen door system has grasped a leading market share and established incomparable brand influence thanks to its patents, standard and maintenance services. According to the China Urban Rail Association, the market share of Fangda's screen door system ranks first in the world for nearly five years.

**3. New energy industry:** Solar PV power generation industry is largely supported by the Chinese government. The Company

is one of the first companies that possess intellectual property rights in the designing, production and integration of solar PV systems. In 2018, photovoltaic power stations in Xuanfeng Town, Pingxiang Town, Jiangxi Province, and photovoltaic power stations in the parks of Jiangxi Isuzu Automobile Co., Ltd. in Nanchang City and Dongguan Songshan Lake Photovoltaic Power Plant all operated steadily with a total power generation capacity of 20,737,000 kilowatt hours, meeting the designed power generation efficiency. The sales income reached RMB 20,475,500 and operating profit of RMB 11,009,000. In the future, it will still bring long-term, stable income and profits to the Company.

#### 4. Real estate

The Company has basically completed one of the projects: Fangda Town ("Fangda Plaza", the same below) project in Nanshan District, Shenzhen; one project under development Nanchang HonggutanFenghuangzhouFangda Center Project; there are two projects in construction: FangdaBangshen Project in Baoan District, Shenzhen and Urban Renewal Project along the Dagang River in Henggang, Shenzhen.

For a detailed discussion of the Company's business, please refer to "III. Analysis of Core Competencies" in this section of the report and Chapter VI "Operation Discussion and Analysis".

## II. Major assets change

### 1. Major assets change

Main assets	Major change
Main assets	Major change
Equity assets	Long-term equity investment increased by 105.34% year-on-year mainly due to the payment of joint venture investment in the current period.
Fixed assets	No significant change
Intangible assets	Intangible assets increased by 36.43% year-on-year mainly due to the increase of land use rights of Shanghai Songjiang Base in the current period.
Project in progress	Construction in progress increased by 2083.85% year-on-year mainly due to the company's self-use office in the renovation of real estate.
Investment real estate	Investment real estate increased by 133.23% year-on-year mainly because the 1# building of Fangda Plaza project was converted into investment real estate and subsequent value added by fair value measurement

### 2. Major foreign assets

☐ Applicable ☒ Inapplicable

## 3 Core Competitiveness Analysis

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

### **(1) Curtain wall system and material**

#### **1. Expertise and brand competitiveness**

The industry and target market of the Company have high requirements for the performance of participating enterprises which has formed certain thresholds. Especially in the super high-rise buildings, large public buildings and special-shaped external maintenance structures, the company has rich experience in project implementation. It has established business contacts and cooperation with many large real estate development companies. The Company has a high reputation and strong market competitiveness.

The Company has 437 patents (including 36 invention patents) and 2 software copyrights in the curtain wall system and materials industry which has created many firsts in the industry and is one of the high-end preferred brands in the Chinese curtain wall system materials industry. FANGDA is a nationwide well-known trademark in China.

#### **2. Focusing on the high-end market to edge out competitors**

In the fierce market competition, the Company accurately positions the market in the field of high-end energy-saving curtain wall systems with high requirements for technology, service and management, and focuses its resources on high-end curtain wall projects. The construction of a number of curtain wall projects won the national "Luban Award", "Zhan Tianyou Civil Engineering Award", "National Quality Engineering Award", "China Construction Engineering Decoration Award", "Magnolia" Award and "Customer Satisfaction Project" awards, and won the title of "China's curtain wall industry's most competitive top 10" and so on. The Company has built a leading brand and created a clear edge in the high-end curtain wall market.

#### **3. Well-developed industry base landscape**

Thanks to continued investment in facilities, the Company has established a national business landscape with Shenzhen as the headquarters, Dongguan Songshanhu as the base in the south, Beijing in the north, Chengdu in the southwest and Shanghai and Nanchang in the east. The Dongguan Songshanhu and Nanchang bases are the largest and most advanced curtain wall system and material production bases in China and across the world, fueling the Company to increase its market share and competitiveness.

#### **4. General solutions**

The Company has integrated the design, production, management and engineering of curtain wall systems to enjoy technological, cost, quality and service advantages.

#### **5. Talent**

The Company has trained a group of outstanding teams with strong marketing technical, management and financial experience from a large number of project implementation experience. The core backbone personnel are stable, ensuring the execution ability of orders and bringing good user experience to customers.

#### **6. Boost overseas market development to increase overseas orders**

In recent years, the Company has increased its investment in overseas markets and gradually expanded its influence in Australia and Southeast Asia. Thanks to good product quality and contract performance, it has continuously won the trust of new and old customers and more orders. The overseas market orders are growing steadily.

### **(2) Rail transport equipment business**

#### **1. National development strategy**

With the implementation of major national strategies such as the Guangdong, Hong Kong, and Macao Bay District, Xiong'an New District, and the "Belt and Road" Initiative, the region has radiated into Southeast Asia, South Asia, Central Asia, and West Asia, and has extended to Eastern Europe and North Africa with strong demand for infrastructure construction and interconnection. According to statistics as of December 31 2018, a total of 35 cities in the Chinese Mainland have completed the construction of 5,766.6 kilometers of urban rail transit lines. As the world's largest supplier of rail transit shielding door systems, the Company will also make full use of its advantages in technology, brand, and service to further consolidate and increase its domestic market share, and actively participate in rail transit construction in Guangdong, Hong Kong, Macao Bay District and Xiong'an New District. The

Company will vigorously expand overseas markets, especially the “Belt and Road” Initiative, maintain the continuity and stability of overseas orders, balance the development of domestic and foreign markets, and continue to “lead” the rail transit industry.

## 2. Technical advantage

Through continued independent innovation, the Company has developed the global leading metro screen door system with full intellectual property right and broken the monopoly of overseas competitors. The Company has also compiled the *Rail Transport Station Screen Door Standard*, which is the first of its kind in China. The standard was approved in April 2006 and was implemented on March 1, 2007. As the first standard in the industry in China, the standard has played a key role in guiding the development of China’s rail transport screen door industry and enabled the Company a dominant lead in the industry. Currently, the Company has 230 metro screen door patents, including 47 invention patents. The Company also has eight computer software copyrights.

## 3. Brand equity

So far, the Company has undertaken railway screen door projects in more than 30 cities including Hong Kong, Singapore, Kuala Lumpur of Malaysia, Noida of India and Bangkok of Thailand. The Fangda subway screen door system has grasped a leading market share and established incomparable brand influence thanks to its patents, standard and maintenance services. The Company has become the largest railway screen door supplier in the world.

## 4. Industry chain advantage

As the first company to enter the subway screen door industry in China, the Company's subway screen doors have reached to more than 60% of the subway cities in China, and many domestic subway screen doors have entered the maintenance period. The Company actively expands its industrial chain and takes the lead in the domestic market to provide metro maintenance services. The Company has a natural advantage in this high-end service industry. Our screen door system are independently developed by us, thus enabling us to provide prompt, overall, effective and standard maintenance services for our customers without other third parties. As more and more subways are opened, the business volume will continue to increase.

## (3) New energy industry

The new energy business mainly comprises solar power PV application, PV construction and LED industry.

### 1. Technical advantage

With more than ten years’ experience in developing solar energy PV power generating curtain wall technology, the Company is the earliest company that masters the intelligent property right in the designing, production and integration of solar energy PV curtain wall systems and is a pioneer in the application of PV curtain wall technology.

### 2. Relation with other industries

Distributed solar power PV power generation is closely related to the Company’s existing businesses. Most distributed solar power PV systems are closely related to construction. Moreover, the Company has more than 10 years' experience in electrical product integration. The Company also has more than 20 years’ experience in construction management and has the level-1 construction curtain wall engineering qualification and electrical installation engineering qualification.

## (4) Real Estate

1. The Company is committed to the Guangdong-Hong KongMacao Bay District, focusing on the development of urban renewal projects in the core area of Shenzhen. Benefiting from the continued positive economic growth of Shenzhen and the rapid economic development, it is expected that the Company's real estate sales and property leasing will continue to contribute profits to the company.

2. Although the company is a later comer in the industry, the Shenzhen Fangda Town project was quickly recognized by the market and the sales rate was faster. At the same time, the Company has been rated as “Shenzhen Real Estate Development Industry Development Potential Enterprise” by Shenzhen Housing Association for three consecutive years. In 2018, it has been awarded “Shenzhen Real Estate Development Industry Brand Value Enterprise” with professional operations for commercial and property management.





## Chapter IV Operation Discussion and Analysis

### 1. Summary

In 2018 China's economic downward pressure increased. The Sino-US trade friction continued to affect and the prices of major raw materials fluctuated. The Company overcame many unfavorable factors, completed the targets set at the beginning of the year and continued to maintain a good development trend. In the report period, the Company recorded a sales income of RMB3,048,680,100, up 3.43% year on year. The net profit attributed to owners of the parent reached RMB2,246,164,600, up 96.27% year on year. The revenue from main businesses continued growing to RMB298,829,200, up 46.43% year on year. As of the end of the reporting period, the Company's order reserve was RMB4,634,830,300 (excluding real estate sales), an increase of 14.02% from the end of the previous year, which was 152.03% of the Company's sales revenue in 2018.

#### 1. High-end curtain wall system and material business

In 2018, the Company adhered to the high-quality development road, made full use of the advantages of being located in the core area of the Guangdong-Hong Kong-Macao Bay District and continued to deepen the high-end energy-saving curtain wall market in Dawan District of Guangdong Hong Kong and Macao and achieved remarkable results. The number of new orders and the quality were significantly improved. During the reporting period, the Company won a series high-end curtain wall and material projects including the Shenzhen International Convention and Exhibition Center, Shenzhen Tencent Digital Building, Shenzhen Bao'an Central District Haifu Ecological Building, Shenzhen Mawan Ecological Park, Shenzhen Shenye Midtown Project, Shenzhen LongguangJiuzuan, Shenzhen HongrongyuanYicheng Center Garden, Zhuhai Youte Square, ZhongshanJiangbolong Science and Technology Park, AIIB Beijing Headquarters, Shanghai Pudong Shipyard Phase II and III, Shanghai GemdaleJiuting Center, Suzhou Sunan Vanke Yangshan North Phase II, Nanchang Business Union Center, Hefei Vanke Forest Park, Hangzhou Alibaba Babaxixi Park Phase IV, Wuhan Rongchuan Center Phase III, Lanzhou Donghu Square and Chengdu Zhaoshang Grand Rubik Building No.14 with a total amount of RMB2.353, including RMB1.52 billion from the Guangdong-Hong Kong-Macau Bay District, which accounts for 64.6% of the total, reflecting the Company's strong competitiveness in terms of product quality technical strength and brand influence. During the reporting period, the Company achieved good results in the domestic market and also made new breakthroughs in the overseas market. It signed projects such as Evermore in Melbourne Australia and Golder River in Ho Chi Minh Vietnam to further expand the Company's business in the international market and improve influence of brands in overseas markets. In 2018, the Company's curtain wall system and materials business realized sales income of RMB2,010,704,000 with a year-on-year increase of 21.59% and net profit after deduction of RMB97,998,900, an increase of 1,123.00%. As of the end of the reporting period, the Company's curtain wall system and materials business orders reserve was RMB3,176,378,500 with an increase of 14.85% over the same period of the previous year, which was 157.97% of the sales revenue of the curtain wall system and materials business in 2018. The abundant order reserve has laid the foundation for the continuous development of the Company's curtain wall system and materials business. It is expected that the curtain wall system and materials business will remain an important source of sales revenue and profit for the Company.

In order to meet the Company's growing demand for orders, the Company continues to invest in hardware such as production base construction. In June 2018, the Fangda Western Headquarters Base in Chengdu Xinjin started construction and will be finished in the first half of 2019. The base covers an area of 45,000 square meters and has a total construction area of about 21,000 square meters. It will become the most modern energy-saving and environmental protection curtain wall research and development and production base in western China. The new production base invested and constructed in Shanghai Songjiang was started in January 2019. It is expected to be completed by the end of 2019. The base covers an area of 23,800 square meters and the total construction area is about 43,000 square meters. After the completion of the two bases, the national industrial layout of the upgrade company will be improved and the production capacity of the Company's energy-saving and environmental protection curtain wall will be

enhanced to provide guarantee for the Company's sustained and rapid development.

During the reporting period, the Company tried its best to convert orders into sales revenue and successfully completed and delivered a series of high-end curtain wall projects such as the Shenzhen Evergrande Times Financial Center Project, Shenzhen Vanke Binhai Landmark Building, Shenyang Merchants Diamond Hill Plaza Project, Hangzhou Huanglong Vanke International Center and Shanghai Shipyard (Pudong) Area 2E3-2 (Phase I) and Zhonghai Taiyuan Yingze Bridge West Project. During the reporting period, Shenzhen ShenyeShangcheng (South District), Shenzhen China Energy Storage Building, Guangzhou Southern Power Grid Project and Shenzhen Fangda Town invested and constructed by the Company won the "China Construction Engineering Decoration Award" thanks to the outstanding design and construction quality; the Hong Kong Chinese University (Shenzhen) curtain wall project won the "Luban Award", the highest honor award in China's construction industry and the Shenzhen New Century Wenbo Building project won the "My Favorite Curtain Wall Project" in Shenzhen. These honors highlights the Company's glory as a leading brand in the industry.

## **2. Rail transport equipment business**

In 2018, the Chinese manufacturing, innovation and construction made great progress. As the world's largest supplier of subway screen door systems, the Company also seized the historical opportunity and took the "Belt and Road Initiative" opportunity to accelerate the overseas market layout, which enabled the Company's rail transit business to achieve rapid growth in both Chinese and overseas markets. In 2018, the Company won the first phase of the Ahmedabad Metro in India, the Golden Line of the Thai Metro, the Line 3 of Shijiazhuang Metro, the second and third phases of the Wuhan Metro Line 8, the second and third phases of Chengdu Metro Line 3 and the phase one of the Nanning Subway Line No.4, Line No.2 East Extension Line, Guiyang Metro Line No.2, Xi'an Metro Line 1 Phase II, Xiamen Metro Line No.3 Phase I Project and won screen door maintenance contracts of the Nanchang Subway No.1, Nanning Metro Line No.1, Nanjing Metro Line No.1, Wuhan Intercity Railway, Wuhan Metro Line No.2 and No.3, Tianjin Metro Line No.1 East Extension Line and Shenzhen Metro Line No.11 with a total amount of RMB72,5864,000. As of the end of the reporting period, the Company's rail transit industry order reached RMB1,458,451,800 with an increase of 12.25% over the same period of last year, which is 489.93% of the Company's rail transit industry operating income in 2018.

During the reporting period, the first phase of the No.7 line of Wuhan Rail Transit, the first phase of the No. 11 line and the Zhifang Line of the Wuhan City Rail Transit System were opened. All of the nine rail lines in Wuhan have adopted the Fangda screen door system. Fangda's screen door system relies on many advantages such as "advanced performance, stable quality, reliable operation, safety and attractive design" and participates in the historical transformation of rail transit from scratch to single line and network in many cities in China. It has achieved a good market share in the world for the past five years.

Since the promulgation and implementation of the national industry standard "Urban Rail Transit Platform Screen Door" edited by the Company on March 1 2007, it has played an active role in regulating and guiding the development and technological innovation of the barrier door industry in China's rail transit platform. However, with the advancement of the industry's scientific and technological level and the continuous emergence of new experiences and new demands in the practical application of rail transit screen door products, this standard can no longer meet the actual needs of the industry. To this end in November 2018, the Company once again led the revision of the "Urban Rail Transit Platform Screen Door" standard, highlighting the Company's position as a leader in the field of urban rail transit platform screen doors, fully reflecting the Fangda screen door system in China's track leawding advantages in many aspects such as brand influence, market share, patent ownership, standard setting and maintenance professional services in the transportation sector.

## **3. New energy industry**

During the reporting period, the three solar photovoltaic power plants that the Company had connected to the grid were operating safely and steadily. In 2018, the total power generation was 20,737,000 kWh, the sales revenue was RMB20,475,500 and the operating profit was RMB11,009,000, exceeding the expectation. Among them, the 20MW distributed photovoltaic power generation project of Chayu Village, Xuanfeng Town, Luxi County, Jiangxi Province and the distributed photovoltaic power generation project of, Songshan Lake in Dongguan have been included in the Renewable Issue issued by the Ministry of Finance the National Development and Reform Commission and the National Energy Administration. The Company's solar photovoltaic power

station will continue to bring long-term stable income and profit to the company and play a good role in promoting low-carbon development ecological civilization construction and accelerating the development of circular economy.

#### 4. Real estate

##### (1) Industry development and impacts on the Company's future business and profitability

During the reporting period, the Fangda Town project sold by the Company was in Nanshan District, Shenzhen. As a first-tier city in China, Shenzhen has been a hot city with rapid population inflows and sustained economic growth in recent years. In 2018, Shenzhen has adjusted the urban renewal work reform project. There are not many industrial reform projects that are on sale or about to enter the market. At the same time, driven by the sales price of the real estate around the project, the sales price and gross profit margin of the Company's Fangda Town project increased significantly during the reporting period. In 2019, the remaining saleable area of the project is approximately 10,675.75 square meters and the estimated sales price and gross profit margin can maintain or exceed the 2018 level.

During the reporting period, the 1# building of the second phase of Shenzhen Fangda Town Project has completed planning acceptance. Except for part of its own use, the remaining area is about 74,000 square meters for rental. As of the end of the reporting period, the lease area that has been signed reached 11,000 square meters. The commercial part of the Fangda Town project was opened in October 2018. As of the end of the reporting period, the signing rate of commercial shops was 90%, which have been opened. It is expected that the real estate sales and property leasing will continue to contribute profits and cash flow to the Company in the future.

##### (2) Main business model, landscape, market position and competitiveness of the Company

The Company's business model adopts the traditional vertical overlap hybrid development model that includes land acquisition and property management vertically overlapping in management and each project is independently operated by a special project company.

The Company will focus on Guangdong, Hong Kong, and Macau Bay Area, focusing on the development of Shenzhen's urban renewal projects. The development of products will be mainly office buildings, supporting businesses, security housing, or residential properties. The Company has established a professional team to operate and manage the Company's businesses and properties.

Although the Company is a late comer in the real estate industry, the Fangda Town project developed by the Company has been quickly recognized by the market and the sales rate has been fast. At the same time, the Company has been rated as "Shenzhen Real Estate Development Industry Development Potential Enterprise" by the Shenzhen Real Estate Industry Association for three consecutive years. In 2018, it was named "Shenzhen Real Estate Development Industry Brand Value Enterprise". With the influence of Fangda Brand and its strong professional level, the Company has gained a firm foothold in the market competition and its market position has gradually increased.

##### (3) Land reserve

Project held by the Company:

Project	Purpose	Development area (m <sup>2</sup> )	Building are (m <sup>2</sup> )	Location	Notes
Fangda Town	Industrial	35,397.60	212,400.00	Shenzhen	Basically completed, available for sale and lease
Nanchang Honggutan Fenghuangzhou Project	Commercial	16,608.55	66,433.93	Nanchang	In construction, available for presales in 2019

During the reporting period, in addition to the above-mentioned projects, the Company also has a cooperative project Shenzhen Fangda Bangshen Project, which covers an area of 20,714.9 square meters. During the reporting period, it is actively promoting related matters related to project renewal declaration.

During the reporting period, Shenzhen Zhongrong Litai Investment Co. Ltd. a controlled subsidiary of the Company and Shenzhen Henggang Dakang Co. Ltd. and Shenzhen Henggang Dakang Co. Ltd. Shangzhong Branch signed the "Shenzhen

Henggangda". The cooperation agreement for the urban renewal project along the Dakang River area of Shenzhen HenggangDakangJoint Stock Co., Ltd. covering an area of about 80000 square meters is currently being actively promoted.

In addition, the Company does not hold other development projects and land to be developed.

#### (4) Real estate development

Project under construction	Interests percentage	Starting time	Floor area (m <sup>2</sup> )	Building are (m <sup>2</sup> )	Finished building are (m <sup>2</sup> )	Estimated total investment (in RMB100 million)	Invested amount (in RMB100 million)
Fangda Town	100%	May. 2014	35,397.6	212,400	217,763.69	25.85	23.37
Nanchang HonggutanFenghuangzhou Project	100%	May. 2018	16,608.55	66,433.93	0	6.70	2.3

#### (5) Project sales in the report period

Project under construction	Interests percentage	Sellable area (m <sup>2</sup> )	Sold area (m <sup>2</sup> )
Shenzhen Fangda Town	100%	93,086.25	82,410.50

#### (6) Real estate lease

Form	City	Interests percentage	Floor area (m <sup>2</sup> )	Lease ratio (leasable)	Notes
Office building	Shenzhen	100%	26,040.55	97.00%	Fangda Building
Commercial shop	Shenzhen	100%	31,543.00	90.00%	Commercial podium of Fangda Town
Office building	Shenzhen	100%	11,893.73	13.19%	Office building of Fangda Town
Office building	Jiangxi	100%	5,387.50	100.00%	Jiangxi New Material
Plant	Jiangxi	100%	45,623.82	96.52%	Jiangxi New Material

#### (7) Financing in the report period

Financing source	Currency	Balance (in RMB)	Financing cost (interest rate)	Due date	Collateral/guarantee
Bank loan	RMB	893,978,153.39	Interval rate, between 10% below the benchmark interest rate and 60% above the benchmark interest rate on the withdrawal date	2023-2-11	Pledged by equity in Fangda Real Estate Co., Ltd. and guaranteed by the Company Guarantee

#### (8) Development strategy and operation plan in the next year

The Company has taken the real estate business as one of the important sectors of the Company. The Company's development strategy is to become an influential and professional company in the core area and to win customer satisfaction through quality products.

In 2019, the Company plans to complete the rental and sales of the Fangda Town project except for its own use; to realize the pre-sale of the Nanchang Honggutan Phoenix Island project; to actively promote the project declaration of the Shenzhen FangdaBangshen project; to complete the preparations before the Dukang project declaration. It is expected that the real estate sales and property leasing will continue to contribute profits to the Company in the future.

#### **(9) Bank mortgage loan guarantee provided for commercial housing purchasers**

The Group's property business provides periodic mortgage guarantee for property purchasers. The term of the periodic guarantee lasts from the effectiveness of guarantee contracts to the completion of mortgage registration and transfer of housing ownership certificates to banks. By 31.12.18, the Company has provided periodic guarantee of RMB778,189,500.

#### **(10) Property management**

In 2018 the wholly-owned subsidiary Fangda Property continued to improve the on-site property management quality of Shenzhen Fangda Town, Fangda Building and Dongguan Industrial Park. Through refined management, customers were satisfied by the services.

### **5. Repurchase of B shares and increase in shareholding by actual controllers**

The B-share market has long been in a downturn due to the loss of financing functions, poor liquidity, and small market capacity. The Company's B share price has largely deviated from the Company's actual operating conditions. The performance of the B shares is not in line with the Company's intrinsic value, and the Company's investment value is underestimated. In order to enhance the Company's investment value and maximize the interests of shareholders, the Company reviewed and approved two repurchases of B shares and cancellation in 2018. As of the disclosure date of this report, the Company has repurchased 60,258,065 B shares and used funds of HKD227,491,556.01, which has maintained the stability of the market and enhanced investors' confidence. The following table shows the details:

Repurchase	Period	Number of shares	Fund used	Date of cancellation
First	August 13, 2018 to August 16, 2018	28,160,568	114,478,923.89	29.08.18
Second	December 19, 2018 to January 3, 2019	32,097,497	113,012,632.21	11.01.19
	Total	<b>60,258,065</b>	<b>227,491,556.10</b>	

Since optimistic about the Company's future development, since 2011, the company's actual controller, chairman and president Mr. XiongJianming and Banglin Technology Company and Shengjiu Investment Co. Ltd. controlled by him have been increasing their shareholdings. In the reporting period, Banglin Company increased its holdings of 9,819,645A shares and Shengjiu Company increased its holdings of 2,103,856 B shares. These are the actions of the actual controllers to stabilize the Company's share price during the declining of the Company's stock price.

### **6. Innovation**

The Company adheres to the business philosophy of "technology-based innovation" and the scientific and technological innovation development path. Its independent innovation capabilities and technology level has always been at the forefront of domestic similar enterprises. The year 2018 is the company's management innovation year. The Company comprehensively improves production efficiency and project management efficiency through management model innovation, system innovation and technological innovation.

In 2018, the Company edited and prepared 10 national provincial and municipal standards, applied for 27 patents and obtained 23 new authorized patents including 4 invention patents, and independently developed new products "BIM system parameter design development and application" and 18 items such as "Enhanced PEDC\_IBP\_200 R&D" and "Functional R&D of Passenger Detectors". The company's screen door industry takes intelligent manufacturing as the starting point and develops automatic

glue-making robots and automatic welding robots to put into trial production promotes the intelligent production of welding and rubbering promotes the technical level and product quality and reduces the labor intensity of employees in order to improve product market competitiveness, reduce labor costs and improve economic efficiency.

In 2018, the Company focused on management refinement and service refinement, implemented virtual server solutions and independently established a cloud terminal management system to achieve the goals of reducing office costs, cross-regional cross-time office and data security management, effectively improve office IT systems, convenience and security. The Shenzhen Fangda Town project built by the Company has gradually introduced the building intelligent control system, parking space guidance system, visitor management system and self-paying system. While realizing the innovation of management mode, it also saves management resources.

## **7. Awards**

During the reporting period, the Company was awarded Top 100 Listed Companies in China, the Best Employer Award in China, Top 500 Enterprises in Guangdong, the Top 100 in Guangdong Manufacturing Industry, Top 100 Private Enterprises in Guangdong and the 40th Anniversary of Reform and Opening up, Guangdong Excellent Enterprises, Guangdong Provincial Independent Innovation Demonstration Enterprise, Guangdong Province Honesty Demonstration Enterprise, Guangdong Provincial Contract-honoring and Credit Enterprise, Shenzhen Top 100 Enterprises and Shenzhen Outstanding Social Responsibility Enterprise, won the National Outstanding Foreign Investment Enterprise - Harmonious Labor Relations Promotion Award, Best Board of Directors In 2017. In the information disclosure assessment, the Company was awarded the highest level A of the Shenzhen Stock Exchange and the chairman and president of the company Mr. XiongJianming was elected as the representative of the 13<sup>th</sup> National People's Congress.

A number of curtain wall projects undertaken by the wholly-owned subsidiary FangdaJianke won the awards such as the "Luban Award", "China Construction Engineering Decoration Award", "Excellent Quality Award" and "My Favorite Curtain Wall Project".

FangdaZhichuang, a wholly-owned subsidiary was awarded the honorary title of "Excellent Contractor" issued by Nanjing Metro Operation Company and Tianjin Metro Operation Company and "Excellent Contractor" issued by MTR Rail Transit Co. Ltd. Mr. XiongHaigang, the general manager of FangdaZhichuang was named "the 40th anniversary of reform and opening up affecting the innovation and development of Shenzhen equipment industry."

Fangda Real Estate Co. Ltd., a wholly-owned subsidiary, was awarded the "Shenzhen Real Estate Development Industry Brand Value Enterprise".

Xu Weihua, an employee of Fangda Jiangxi New Materials Co. Ltd., a wholly-owned subsidiary, won the "Nanchang May 1st Labor Medal". Fang Hongjian staff, Li Honglin and Wei Zhengpei were awarded the title of "Star Craftsman" in Shenzhen Decoration Industry.

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.3 – Listed Companies Engaged in Property Development.

## **II. Main business analysis**

### **1. Summary**

For details see Management Discussion and Analysis – 1. Profile

### **2. Income and costs**

#### **(1) Turnover composition**

In RMB

	2018		2017		YOY change (%)
	Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Total turnover	3,048,680,152.06	100%	2,947,470,813.58	100%	3.43%
Industry					
Metal production	2,010,704,004.96	65.95%	1,653,688,831.23	56.11%	21.59%
Railroad industry	297,686,976.09	9.76%	339,399,859.01	11.51%	-12.29%
New energy industry	19,625,478.18	0.64%	21,848,200.20	0.74%	-10.17%
Real estate	697,518,090.10	22.88%	911,195,066.07	30.91%	-23.45%
Others	23,145,602.73	0.76%	21,338,857.07	0.72%	8.47%
Product					
Curtain wall system and materials	2,010,704,004.96	65.95%	1,653,688,831.23	56.11%	21.59%
Subway screen door and service	297,686,976.09	9.76%	339,399,859.01	11.51%	-12.29%
PV power generation products	19,625,478.18	0.64%	21,848,200.20	0.74%	-10.17%
Real estate sales	697,518,090.10	22.88%	911,195,066.07	30.91%	-23.45%
Others	23,145,602.73	0.76%	21,338,857.07	0.72%	8.47%
District					
In China	2,969,200,798.04	97.39%	2,915,698,936.74	98.92%	1.83%
Out of China	79,479,354.02	2.61%	31,771,876.84	1.08%	150.16%

## (2) Industries, products or districts that take more than 10% of the Company's business turnover or profit

√ Applicable □ Inapplicable

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

In RMB

	Turnover	Operation cost	Gross margin	Year-on-year change in operating revenue	Year-on-year change in operating costs	Year-on-year change in gross margin
Industry						
Metal production	2,010,704,004.96	1,720,929,280.88	14.41%	21.59%	16.97%	3.38%



Real estate	697,518,090.10	389,500,898.70	44.16%	-23.45%	42.19%	-25.78%
Railroad industry	297,686,976.09	219,794,604.25	26.17%	-12.29%	-10.68%	-1.32%
Product						
Curtain wall system and materials	2,010,704,004.96	1,720,929,280.88	14.41%	21.59%	16.97%	3.38%
Real estate sales	697,518,090.10	389,500,898.70	44.16%	-23.45%	42.19%	-25.78%
Metro screen door	297,686,976.09	219,794,604.25	26.17%	-12.29%	-10.68%	-1.32%
District						
In China	2,969,200,798.04	2,265,862,804.15	23.69%	1.83%	16.16%	-9.41%

Main business statistics adjusted in the recent one year with the statistics criteria adjusted in the report period

☐ Applicable ☒ Inapplicable

Different business types of the Company

In RMB

Business type	Turnover	Operation cost	Gross margin
Curtain wall system and materials	2,010,704,004.96	1,720,929,280.88	14.41%

Whether the Company runs business through the Internet

☐ Yes ☒ No

Whether the Company runs overseas projects

☐ Yes ☒ No

Main business statistics adjusted in the recent one year with the statistics criteria adjusted in the report period

☐ Applicable ☒ Inapplicable

### (3) The physical sales revenue is high the labor service revenue

☐ Yes ☒ No

### (4) Performance of signed major sales contracts in the report period

☒ Applicable ☐ Inapplicable

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

In RMB

	Project amount	Cumulative recognized income	Amount of unfinished part
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Unfinished project	5,824,972,385.87	2,841,786,441.83	2,983,185,944.04
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In RMB

Project	Project amount	Construction period	Completion percentage	Income recognized in this period	Cumulative recognized income	Payment collection	Balance of accounts receivable
Shenzhen Hanjing Financial Center curtain wall project	382,393,042.11	2015.09-2019.12	96.00%	117,466,077.89	366,756,750.91	291,779,941.07	74,976,809.84
Tencent Digital Building curtain wall project	314,399,200.00	2018.09-2019.11	0.00%	0.00	0.00	31,440,000.00	0.00

Other note

☐ Applicable ☒ Inapplicable

In RMB

	Accumulative occurred costs	Accumulative recognized gross margin	Estimated loss	Settled amount	Balance of unpaid amount of finished project
Finished but not settled project	7,409,639,074.33	1,086,522,725.21	1,603,589.59	8,365,879,441.60	128,678,768.35

In RMB

Project	Contract amount	Settled amount	Balance of unpaid amount of finished project
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Other note

☐ Applicable ☒ Inapplicable

## (5) Operation cost composition

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

Main business cost

In RMB

Cost composition	Business type	2018		2017		YOY change (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Raw materials	Curtain wall system and	1,236,717,752.50	71.86%	983,487,997.36	66.85%	5.01%

	materials					
Installation and engineering costs	Curtain wall system and materials	357,806,657.79	20.79%	334,781,910.86	22.76%	-1.97%
Labor cost	Curtain wall system and materials	80,488,503.77	4.68%	76,062,568.69	5.17%	-0.49%

Industry

Industry

In RMB

Industry	Item	2018		2017		YOY change (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Metal production	Raw materials	1,236,717,752.50	71.86%	983,487,997.36	66.85%	5.01%
Metal production	Installation and engineering costs	357,806,657.79	20.79%	334,781,910.86	22.76%	-1.97%
Metal production	Labor cost	80,488,503.77	4.68%	76,062,568.69	5.17%	-0.49%
Real estate	Construction and installation cost	100,803,413.00	25.88%	144,887,293.21	52.89%	-27.01%
Real estate	Land cost	222,947,137.10	57.24%	71,670,682.41	26.16%	31.08%
Real estate	Loan interest	8,022,581.23	2.06%	10,433,871.29	3.81%	-1.75%
Real estate	Labor cost	10,943,065.48	2.81%	2,950,138.93	1.08%	1.73%

Notes

## (6) Change to the consolidation scope in the report period

√ Yes □ No

1. In the current period, Shanghai Fangda Jingling Technology Co. Ltd. and Shenzhen Fangda Cloud Rail Technology Co. Ltd. have been newly established two new companies in the current consolidated statement.

2. In this period, the indirect controlled subsidiary Fangda Decoration Engineering (Shenyang) Co. Ltd. was liquidated. Therefore, one subsidiary is removed from the consolidated statement of this period.

## (7) Major changes or adjustment of business, products or services in the report period

□ Applicable √ Inapplicable

**(8) Major sales customers and suppliers**

## Main customers

Total sales amount to top 5 customers (RMB)	563,898,240.47
Proportion of sales to top 5 customers in the annual sales	18.50%
Percentage of sales of related parties in top 5 customers in the annual sales	0.00%

## Information of the Company's top 5 customers

No.	Customer	Sales (RMB)	Percentage in the annual sales
1	No.1	130,394,127.62	4.28%
2	No.2	123,189,990.17	4.04%
3	No.3	114,044,735.81	3.74%
4	No.4	110,847,181.39	3.64%
5	No.5	85,422,205.48	2.80%
Total	--	563,898,240.47	18.50%

## Other information about major customers

☐ Applicable ☒ Inapplicable

## Main suppliers

Purchase amount of top 5 suppliers (RMB)	380,952,155.62
Proportion of purchase amount of top 5 suppliers in the total annual purchase amount	18.58%
Percentage of purchasing amount of related parties in top 5 customers in the annual purchasing amount	0.00%

## Information of the Company's top 5 suppliers

No.	Supplier	Purchase amount (RMB)	Percentage in the annual purchase amount
1	No.1	134,620,520.47	6.56%
2	No.2	69,068,820.77	3.37%
3	No.3	63,011,613.48	3.07%
4	No.4	57,243,171.56	2.79%
5	No.5	57,008,029.34	2.78%
Total	--	380,952,155.62	18.58%

## Other information about major suppliers

☐ Applicable ☒ Inapplicable

**3. Expenses**

In RMB

	2018	2017	YOY change ( % )	Notes
Sales expense	49,833,945.89	61,063,948.40	-18.39%	
Administrative expense	140,002,624.79	134,819,477.53	3.84%	
Financial expenses	82,328,388.89	67,058,846.06	22.77%	Mainly due to stopping of capitalization of the annual interest expense of the Fangda Town project this year
R&D cost	19,854,244.58	17,997,202.77	10.32%	

#### 4. R&D investment

√ Applicable □ Inapplicable

The Company adheres to the business philosophy of "technology-based innovation" and the scientific and technological innovation development path. Its independent innovation capabilities and technology level has always been at the forefront of domestic similar enterprises. The Company is committed to the research and development of independent intellectual property products and enhances its core competitiveness. In 2018, the Company edited and prepared 10 national provincial and municipal standards, applied for 27 patents and obtained 23 new authorized patents including 4 invention patents, and independently developed new products "BIM system parameter design development and application" and 18 items such as "Enhanced PEDC\_IBP\_200 R&D" and "Functional R&D of Passenger Detectors". The Company's screen door industry takes intelligent manufacturing as the starting point and develops automatic glue-making robots and automatic welding robots to put them into trial production, promotes the intelligent production of welding and rubbering, promotes the technical level and product quality, and reduces the labor intensity of employees in order to improve product market competitiveness, reduce labor costs and improve economic efficiency.

#### R&D investment

	2018	2017	Change
R&D staff number	404	400	1.00%
R&D staff percentage	18.31%	18.60%	-0.29%
R&D investment amount (RMB)	138,333,164.52	112,793,075.49	22.64%
Investment percentage in operation turnover	4.54%	3.83%	0.71%
Capitalization of R&D investment amount (RMB)	0.00	0.00	0.00%
Percentage of capitalization of R&D investment in the R&D investment	0.00%	0.00%	0.00%

Reason for the increase in the percentage of R&D investment in the business turnover

√ Applicable □ Inapplicable

Explanation of the increase in the capitalization of R&D investment

√ Applicable □ Inapplicable

## 5. Cash flow

In RMB

Item	2018	2017	YOY change ( % )
Sub-total of cash inflow from business operations	2,974,390,387.48	3,549,895,018.15	-16.21%
Sub-total of cash outflow from business operations	2,587,287,667.91	2,992,061,872.42	-13.53%
Cash flow generated by business operations, net	387,102,719.57	557,833,145.73	-30.61%
Sub-total of cash inflow generated from investment	7,678,717,862.02	11,213,677,450.42	-31.52%
Subtotal of cash outflows	7,471,021,595.30	11,602,815,885.41	-35.61%
Cash flow generated by investment activities, net	207,696,266.72	-389,138,434.99	153.37%
Subtotal of cash inflow from financing activities	708,000,000.00	978,503,029.59	-27.64%
Subtotal of cash outflow from financing activities	1,279,597,053.40	1,149,248,335.73	11.34%
Net cash flow generated by financing activities	-571,597,053.40	-170,745,306.14	-234.77%
Net increase in cash and cash equivalents	24,905,355.13	-4,539,039.85	648.69%

+Explanation of major changes in related data from the same period last year

√ Applicable □ Inapplicable

Explanation of major difference between the cash flow generated by operating activities and the net profit in the year

√ Applicable □ Inapplicable

During the reporting period, the difference between the net cash flow of operating activities of the company and the net profit of the year was mainly due to the fact that the changes in fair value did not generate cash flow during the current period.

## III. Non-core business analysis

√ Applicable □ Inapplicable

In RMB

	Amount	Profit percentage	Reason	Whether continuous
Investment income	27,776,084.43	0.94%	Mainly from bank financial products	No
Gain/loss caused by changes in fair	2,913,858,560.57	98.12%	It is mainly due to changes in fair value arising from	No

value			follow-up measurement of fair value of building 1# of Fangda Plaza project.	
Assets impairment	239,866,511.30	8.08%	Mainly bad debt provision corresponding to accounts receivable	Yes
Non-operating revenue	3,712,594.09	0.13%		No
Non-business expenses	3,846,202.80	0.13%		No

## 4. Assets and liabilities

### 1. Major changes in assets composition

In RMB

	End of 2018		End of 2017		Change (% )	Notes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary capital	1,389,062,083.76	13.03%	1,180,398,479.51	15.48%	-2.45%	
Account receivable	1,920,075,031.85	18.01%	1,920,372,426.16	25.18%	-7.17%	
Inventory	651,405,832.29	6.11%	819,610,960.67	10.75%	-4.64%	
Investment real estate	5,256,442,406.63	49.32%	2,253,794,404.55	29.56%	19.76%	Mainly the Fangda Plaza project 1# building was converted into investment real estate and subsequent value added by fair value
Long-term share equity investment	70,105,657.88	0.66%	34,142,055.62	0.45%	0.21%	
Fixed assets	455,274,241.83	4.27%	468,118,279.18	6.14%	-1.87%	
Construction in process	58,269,452.72	0.55%	2,668,198.62	0.03%	0.52%	
Short-term loans	208,000,000.00	1.95%	616,000,000.00	8.08%	-6.13%	Due to repayment of borrowing
Long-term loans	1,193,978,153.39	11.20%	893,978,153.39	11.72%	-0.52%	

## 2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

In RMB

Item	Opening amount	Gain/loss caused by changes in fair value	Accumulative changes in fair value accounting into the income account	Impairment provided in the period	Amount purchased in the period	Amount sold in the period	Closing amount
Financial assets							
1. Financial assets measured at fair value with variations accounted into current income account (excluding derivative financial assets)							
2. Derivative financial assets							
3. Sellable financial assets	28,562,575.67			6,888,567.44			21,674,008.23
Subtotal	28,562,575.67			6,888,567.44			21,674,008.23
Investment real estate	1,492,278,859.69	2,916,922,279.48	11,675,404.61		72,101,165.00	5,343,905.00	5,230,896,067.50
Productive biological assets							
Others							
Total	1,520,841,435.36	2,916,922,279.48	11,675,404.61	6,888,567.44	72,101,165.00	5,343,905.00	5,252,570,075.73
Financial	159,000.00						1,625,725.00



liabilities							
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Major changes in the assets measurement property of the Company in the report period

☐ Yes ☒ No

### 3. Right restriction of assets at the end of the period

Item	Closing book value	Reason
Monetary capital	432,871,193.08	Warranty, time deposit, B share repurchase fund
Fixed assets	51,298,617.58	Loan by pledge
Investment real estate	309,189,866.37	Loan by pledge
100% stake in Fangda Property Development held by the Company	200,000,000.00	Loan by pledge
Total	993,359,677.03	--

## V. Investment

### 1. General situation

☐ Applicable ☒ Inapplicable

### 2. Major equity investment in the report period

☐ Applicable ☒ Inapplicable

### 3. Major nonequity investment in the report period

☐ Applicable ☒ Inapplicable

### 4. Financial assets investment

#### (1) Securities investment

☐ Applicable ☒ Inapplicable

The Company made no investment in securities in the report period

#### (2) Derivative investment

☒ Applicable ☐ Inapplicable

In RMB10,000

Derivative investment operator	Relationship	Related transaction	Type	Initial amount	Start date	End date	Initial investment amount	Amount in this period	Amount sold in this period	Impairment provision (if any)	Closing investment amount	Proportion of closing investment amount in the closing net assets in the report period	Actual gain/loss in the report period
Shanghai Futures Exchange	No	No	Shanghai aluminum	151.25	27.09.17	10.07.19	151.25	16,988.75	14,604.24		2,535.76	0.49%	-506.34
Capital source				Self-owned fund									
Lawsuit (if any)				None									
Disclosure date of derivative investment approval by the Board of Directors (if any)				31.10.17									
Disclosure date of derivative investment approval by the Shareholders' Meeting (if any)													
Risk analysis and control measures for the derivative holding in the report period (including without limitation market, liquidity, credit, operation and legal risks)				To prevent the risk of fluctuation of raw material prices, the Company adopted the aluminum futures exchanged at the domestic futures exchange to provide hedging for aluminum as a raw material for the Company. The Company has set up and implemented the Provincial Regulations on China Fangda Group Domestic Futures Hedging to prevent risks.									
Changes in the market price or fair value of the derivative in the report period, the analysis of the derivative's fair value should disclose the method used and related assumptions and parameters.				Fair value of derivatives are measured at open prices in the futures market									
Material changes in the accounting policies and rules related to the derivative in the report period compared to last period				None									

Opinions of independent directors on the Company's derivative investment and risk controlling	None
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## 5. Use of raised capital

☐ Applicable ☒ Inapplicable

The Company used no raised capital in the report period.

## VI. Major assets and equity sales

### 1. Major assets sales

☐ Applicable ☒ Inapplicable

The Company sold no assets in the report period.

### 2. Major equity sales

☐ Applicable ☒ Inapplicable

## VII. Analysis of major joint stock companies

☒ Applicable ☐ Inapplicable

Major subsidiaries and joint stock companies affecting more than 10% of the Company's net profit

In RMB

Company	Type	Main business	Registered capital	Total assets	Net assets	Turnover	Operation profit	Net profit
FangdaZhichuang	Subsidiary	Subway screen door and service	105,000,000.00	494,097,421.66	220,303,754.55	297,686,976.09	84,991,503.98	79,084,666.1
Fangda Property	Subsidiary	Real estate	200,000,000.00	6,269,497,658.70	3,175,084,569.41	681,709,471.17	2,859,145,455.13	2,153,017,263.64
FangdaJianke	Subsidiary	Curtain wall system and materials	500000000	3,005,611,693.29	1,030,991,393.40	1,753,981,416.61	219,098,842.60	208,352,437.88

Acquisition and disposal of subsidiaries in the report period

☒ Applicable ☐ Inapplicable

Company	Acquisition and disposal of subsidiaries in the report period	Impacts on overall production, operation and performance
Shanghai FangdaQingling Technology Co.,	Newly set	None

Ltd.		
Shenzhen Fangda Cloud Rail Technology Co., Ltd.	Newly set	None
Fangda Decoration Engineering (Shenyang) Co., Ltd.	Liquidation	None

Major joint-stock companies

## VIII. Structural entities controlled by the Company

☐ Applicable ☒ Inapplicable

## IX. Future Prospect

### (1) Competition map and development trend

#### 1. Curtain wall and material system industry

With the development of the major national strategies such as the construction of Guangdong, Hong Kong, and Macau Bay Area and Xiong'an New District, commercial and office buildings, urban commercial complexes, star-rated hotels and other urban commercial spaces as well as airports, stations, rail transit, museums, libraries, Public spaces such as stadiums, schools, and hospitals have strong demand for curtain walls, and the curtain wall system and material industry still have a good foundation. Over recent years, a series of industry policies will be issued to push forward the industry, providing a gold opportunity for the development of energy-saving curtain wall and material business.

#### 2. Rail transport equipment business

In recent years, with the support of national policies, the urban transportation industry will continue to develop well and the market scale will continue to expand with significant economic benefits. According to statistics as of December 31 2018, a total of 35 cities in the Chinese Mainland have completed the construction of 5,766.6 kilometers of urban rail transit lines. The total number of newly added operation lines in the three years since the "13th Five-Year Plan" has been 2148.7 kilometers and the average annual new line length is 716.2 kilometers.

With the implementation of major national strategies such as the Guangdong, Hong Kong, and Macao Bay District, Xiong'an New District, and the "Belt and Road" Initiative, the region has radiated into Southeast Asia, South Asia, Central Asia, and West Asia, and has extended to Eastern Europe and North Africa with strong demand for infrastructure construction and interconnection. Therefore, the rail transit equipment industry will face new and unprecedented opportunities for development.

#### 3. New energy industry

Photovoltaic is a clean energy source supported by the government. In 2019, the photovoltaic industry and policy trends are still improving. The photovoltaic industry will enter a new stage of development from high-speed development that relies on government subsidy to refined high-technology development, reshuffling the industry development direction.

#### 4. Real estate

Shenzhen is located in the core area of Guangdong, Hong Kong and Macau Bay, and the economy continues growing. The Company focuses on the development of urban renewal projects in Shenzhen. With the rapid development of Shenzhen's economy, it is expected that there will still be some room for development in the real estate industry in Shenzhen and surrounding cities.

### (2) Company development strategy and business plan

In 2019, the Company's management theme was to "reshape the management foundation of Fangda" and improve management efficiency through reshaping. The energy-saving curtain wall and materials industry will continue to give full play to its brand

advantages and steadily and securely operate traditional high-quality markets such as Guangdong-Hong Kong-Macao Bay, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing areas and will promote overseas markets step by step. As the world's largest rail transit screen door system supplier, the Company will continue to consolidate its leading position in the domestic industry actively explore overseas markets vigorously develop technical maintenance services and broaden the Company's new product range. The new energy industry will continue to manage the safe operation and maintenance of the three power stations to ensure power generation efficiency. The Company will expand the new energy photovoltaic business in accordance with relevant national policies and in light of the Company's own situation. The real estate business will focus on urban renewal projects in the core areas of Guangdong-Hong Kong-Macao Bay and complete the development, rental and sales of the current four projects.

### **(3) Capital demand and source for projects in progress**

To realize the business target in 2019, the Company will develop suitable financial and capital plans, accelerate the collection of accounts receivable, sales payment from sales of Fangda Town, expand financing channels, and use share issuance, bank loans and other financing products to meet the demand for capital.

### **(4) Risks and solutions**

#### **1. Market risks and measures**

As the overall designing and engineering quality continues improving in the domestic construction curtain wall industry, curtain wall products will become increasingly standard, intensifying the market competition. In addition, the market concentration of first- and second-tier cities will increase, and regional competition will become more intense. The Company will continue to adopt a prudent management policy, refined management, and technological innovations to reduce management costs and accelerate the return of funds. Through new technologies and processes, we will improve product quality, lower costs and elevate earnings. While consolidating the domestic market, the Company will step up the efforts in exploring overseas markets, thus elevating our competitiveness in global markets and improving our resistance to risks.

#### **2. Management risks and measures**

With an increase in orders in recent years and operation of five industry bases, the Company has continued expanding rapidly in terms of capitalization, business and teams. The organizational structure and management system have become more complicated, leading to management risks in industry expansion. The Company will continue to improve the management mode, integrate business management, optimize the business flow, seeking to build a high-efficient and solid management team. We will introduce high-quality, professional technical and management talents in different fields to strengthen the Company's core competitiveness.

#### **3. Production and operation risks and measures**

The macro-economy and market demand have added to the fluctuation in prices of main raw materials such as aluminum and steel and labor, affecting the Company's profitability and creating additional production and operation risks for the Company. The Company has sought to lower the purchase and production costs, pay attention to technical R&D, reduce consumption of raw materials, introduce automatic and intelligent production equipment, strengthen staff training to improve working efficiency.

#### **4. Solar PV power plant risks and measures**

The industry is closely related to policies of the local government. Changes in policies will have large impacts on the industry. The Company will continue paying attentions to the development of the industry. The Company will conduct adequate verification on project feasibility, control costs, quality and schedules strictly, and improve its development, construction and maintenance capabilities.

## X. Acceptance of surveys, negotiation and visits

### 1. Reception of investigations, communications, or interviews in the reporting period

√ Applicable □ Inapplicable

Time/date	Way	Visitor	Disclosure of information
08.01.18	Telephone communication	Individual	Inquiry about the Company's operation condition
10.01.18	Telephone communication	Individual	Inquiry about the Company's shares with sales restriction
18.01.18	Telephone communication	Individual	Inquiry about the progress of the Fangda Town project
22.01.18	Telephone communication	Individual	Inquiry about the Company's result forecast
25.01.18	Telephone communication	Institution	Inquiry about the Company's future development strategy
02.02.18	Telephone communication	Individual	Inquiry about the Company' semi-year performance
05.02.18	Telephone communication	Individual	Inquiry about project bidding
09.02.18	Telephone communication	Individual	Inquiry about the sales of the Fangda Town project
23.02.18	Telephone communication	Individual	Inquiry about the Company's profit distribution
26.02.18	Telephone communication	Institution	Inquiry about pledging of shares by major shareholders
02.03.18	Telephone communication	Individual	Inquiry about the Company's operation condition
08.03.18	Telephone communication	Individual	Inquiry about the Company's operation condition
22.03.18	Telephone communication	Individual	Inquiry about the Company's operation condition
28.03.18	Telephone communication	Individual	Inquiry about the Company's operation condition in Q1
18.07.18	Telephone communication	Individual	Enquiry about approval progress of the B share repurchase
24.07.18	Telephone communication	Individual	Inquiry about the Company's operation condition
06.08.18	Telephone communication	Individual	Inquiry about the progress of the Fangda Town project

17.08.18	Telephone communication	Individual	Inquiry about the B share repurchase
24.08.18	Telephone communication	Individual	Inquiry about the Company's future development strategy
04.09.18	Telephone communication	Individual	Inquiry about the Company's operation condition
12.09.18	Telephone communication	Individual	Inquiry about project bidding
18.09.18	Telephone communication	Individual	Inquiry about the second repurchase of B shares
26.09.18	Telephone communication	Individual	Inquiry about the Company's operation condition in Q3
20.10.18	Telephone communication	Individual	Inquiry about the B share repurchase
12.11.18	Telephone communication	Individual	Opening of Fangda Town
05.12.18	Telephone communication	Individual	Inquiry about the B share repurchase
Time		26	
Number of institutes		0	
Number of individuals		26	
Number of other visitors		0	
Disclosure of any non-public information		No	

## Chapter V Significant Events

### I. Profit distribution and reserve capitalization plan

Establishment, implementation or adjustment of profit distribution policies especially the cash dividend policy during the report period

√ Applicable □ Inapplicable

During the report period, the Company implemented the profit distribution plan for 2017. Approved at the Shareholders' Meeting 2017 held on 15.05.18, the Company's profit distribution plan for 2017 is distributing a cash dividend of RMB1.50 (tax-included) for every ten shares to all the shareholders based on a total of 1,183,642,254 shares on 31.12.17. No bonus share was issued this year. The plan was implemented on 06.06.18 (see the 2017 Share Equity Distribution Implementation Announce 2018-27).

Explanation of Cash Dividend Distribution Policies	
Comply with the Articles of Association or resolution made at the General Shareholders' Meeting	Yes
Clear and definite distribution standard and proportion	Yes
Decision-making procedure and mechanism	Yes
Independent directors fulfill their duties	Yes
Middle and small shareholders express their opinions and claims. Their rights are well protected.	Yes
Cash dividend distribution policies are adjusted or revised according to law	Inapplicable

Profit distribution and reserve capitalizing pre-plans or plans over the recent three years (including the reporting period)

**2016:** A cash dividend of RMB3.50 (including tax) for each ten shares is issued to all shareholders on the basis of 789,094,836 shares with a total amount of RMB 276,183,192.60, on 31.12.16. Five shares were issued for every ten shares to all shareholders through capitalization of capital reserve. No dividend share was issued.

**2017:** A cash dividend of RMB1.50 (including tax) for each ten shares is issued to all shareholders on the basis of 1,183,642,254 shares with a total amount of RMB 177,546,338.10, on 31.12.17.



No dividend share or capitalization share was issued in the year.

**2018:** The Company plans to distribute a cash dividend of RMB2.00 (including tax) for each ten shares issued to all shareholders on the basis of 1,123,384,189 shares with a total amount of RMB 224,676,837.8 upon the cancellation of the B shares repurchased as of January 11, 2019.

No dividend share or capitalization share was issued in the year.

Distribution of cash dividend over the recent three years (including this period)

In RMB

Year	Cash dividend (including tax)	Net profit attributable to shareholders in the consolidated financial statements	Proportion in the net project attributable to shareholders in the consolidated financial statements	Cash dividend paid in other manners	Proportion of cash dividend paid in other manners
2018	335,842,891.28	2,246,164,571.68	14.95%	111,166,053.48	33.10%
2017	177,546,338.10	1,144,404,441.03	15.51%	0.00	0.00%
2016	276,183,192.60	697,956,378.23	39.57%	0.00	0.00%

Cash dividend proposed despite the Company records profits in the report period and a positive undistributed profit/

☐ Applicable ☒ Inapplicable

Note: In the above table the "Cash Dividend (including tax)" of RMB 335,842,891.28 in 2018 is the sum of the amount of RMB224,676,837.8 for the discovery of the bonus in 2018 and the repurchase amount of the B shares repurchased in 2018; "Cash dividend paid in other manners" of RMB 111,166,053.48 is the amount of B shares repurchased by the Company in 2018.

## II. Profit Distribution and Reserve Capitalization Plan in the Report Period

☒ Applicable ☐ Inapplicable

Bonus shares for every ten shares	0
Cash dividend for every ten shares (yuan, tax-included)	2.00
Shares capitalized for every 10 shares	0
A total number of shares as the distribution basis	1,123,384,189
Total cash dividend (yuan, including tax)	224,676,837.80
Distributable profit (yuan)	504,081,999.00
Proportion of cash dividend in the distributable profit	100%
Cash dividend	
The Company is in a fast growth stage. Therefore, the cash dividend will reach 20% of the profit distribution at least.	
Details of profit distribution or reserve capitalization plan	
The Company plans to distribute a cash dividend of RMB2.00 (including tax) for each ten shares is issued to all shareholders on the basis of 1,123,384,189 shares with a total amount of RMB 224,676,837.8. No dividend share or capitalization share was issued in the year.	

**III. Performance of promises****1. Commitments that have been fulfilled and not fulfilled by actual controller, shareholders, related parties, acquirers of the Company**

☐ Applicable ☒ Inapplicable

There is no commitment that has not been fulfilled by actual controller, shareholders, related parties, acquirers of the Company

**2. Explanation and reason of profit forecasts on assets or projects that remain in the report period**

☐ Applicable ☒ Inapplicable

**IV. Non-operating capital use by the controlling shareholder or related parties in the reporting term**

☐ Applicable ☒ Inapplicable

The controlling shareholder and its affiliates occupied no capital for non-operating purpose of the Company during the report period.

**V. Statement of the Board of Directors, Supervisory Committee and Independent Directors (if applicable) on the “non-standard auditors’ report” issued by the CPA on the current report period**

☐ Applicable ☒ Inapplicable

**VI. Statement of changes to accounting policies, estimates and audit methods compared with the financial report of the previous year**

☒ Applicable ☐ Inapplicable

According to the Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Financial Statements of the Company (Accounting 2018 No. 15) the original "Announceable Notes" and "Accounts Receivable" line items will be consolidated into the "balance sheet" in the balance sheet. "Notes receivable and accounts receivable"; the original "receivable interest" and "dividends receivable" items are merged into "other receivables"; the original "fixed assets clean-up" items are merged into "fixed assets"; the original "engineering material" item will be merged into "construction in progress"; the original "payable bills" and "payables" items will be consolidated into "payable bills payables and accounts payable" items; the original "payable interest" and "payable dividend" will be merged into "other receivables"; the original "special payables" item is merged into "long-term payables". In the income statement the "R&D expenses" are separated from the original "administrative expenses"; under the "finance expenses" line item the "interest expense" and "interest income" detailed items are separately listed; the original "re-measurement setting benefits" The change of the plan net debt or net assets is replaced by the "re-measurement of the change in the defined benefit plan"; the original "share under the equity method that cannot be reclassified into other comprehensive income of the investee and the profit and loss" is changed to "equity". Other comprehensive income that cannot be transferred to profit or loss under the law"; the original share of the other comprehensive income that is reclassified into profit or loss after the investee is changed to the other comprehensive income of the convertible profit and loss under the equity method. In the statement of changes in owner's equity under the "internal transfer of shareholders' equity", item the original "transfer re-measurement of changes in net liabilities or net assets of defined benefit plans" was changed to "transfer of retained profit from change in set benefit program".

The revision of the financial statement format has no impact on the Group's total assets total liabilities, net profit and other comprehensive income.

## VII. Statement of retrospective restatement of major accounting errors in the report period

☐ Applicable ☒ Inapplicable

No retrospective restatement of major accounting errors in the report period

## VIII. Statement of change in the financial statement consolidation scope compared with the previous financial report

☒ Applicable ☐ Inapplicable

1. In the current period, Shanghai Fangda Jingling Technology Co. Ltd. and Shenzhen Fangda Cloud Rail Technology Co. Ltd. have been newly established two new companies in the current consolidated statement.

2. In this period, the indirect controlled subsidiary Fangda Decoration Engineering (Shenyang) Co. Ltd. was liquidated. Therefore, one subsidiary is removed from the consolidated statement of this period.

## IX. Engaging and dismissing of CPA

CPA engaged currently

Domestic public accountants name	Grant Thornton (limited liability partnership)
Remuneration for the domestic public accountants (in RMB10,000)	150
Consecutive years of service by the domestic public accountants	7
Name of certified accountants of the domestic public accountants	Chen Zhaoxin, Zeng Hui
Consecutive years of service by the domestic public accountants	Chen Zhaoxin has provided the audit service for 2 years Zenghui for 1 year
Overseas public accountants name (if any)	None
Remuneration for the overseas public accountants (in RMB10,000)	0
Consecutive years of service by the overseas public accountants (if any)	None
Name of certified accountants of the overseas public accountants (if any)	None
Consecutive years of service by the domestic public accountants	None

Whether the CPA is replaced

☐ Yes ☒ No

Engaging of internal control audit CPA, financial advisor and sponsor

☒ Applicable ☐ Inapplicable

This year, the Company engaged Grand Thornton China (limited liability partnership) as the financial statement and internal control auditing CPA with a fee of RMB1.5 million.

## **X. Trade suspension and termination after the disclose of the annual report**

☐ Applicable ☒ Inapplicable

## **XI. Bankruptcy and capital reorganizing**

☐ Applicable ☒ Inapplicable

The Company has no bankruptcy or reorganization events in the report period.

## **XII. Significant lawsuit and arbitration**

☐ Applicable ☒ Inapplicable

The Company has no significant lawsuit or arbitration affair in the report period.

## **XIII. Punishment and rectification**

☐ Applicable ☒ Inapplicable

The Company received no penalty and made no correction in the report period.

## **XIV. Credibility of the Company, controlling shareholder and actual controller**

☐ Applicable ☒ Inapplicable

## **XV. Share incentive schemes, staff shareholding program or other incentive plans**

☐ Applicable ☒ Inapplicable

There is no share incentive schemes, staff shareholding program or other incentive plans in the report period

## **XVI. Material related transactions**

### **1. Related transactions related to routine operation**

☐ Applicable ☒ Inapplicable

The Company made no related transaction related to daily operating in the report period.

### **2. Related transactions related to assets transactions**

☐ Applicable ☒ Inapplicable

The Company made no related transaction of assets or equity requisition and sales in the report period.

### 3. Related transactions related to joint external investment

☐ Applicable ☒ Inapplicable

The Company made no related transaction of joint external investment in the report period.

### 4. Related credits and debts

☐ Applicable ☒ Inapplicable

The Company had no related debt in the report period.

### 5. Other major related transactions

☐ Applicable ☒ Inapplicable

The Company has no other significant related transaction in the report period.

## XVII. Significant contracts and performance

### 1. Asset entrusting, leasing, contracting

#### (1) Asset entrusting

☐ Applicable ☒ Inapplicable

The Company made no custody in the report period.

#### (2) Contracting

☐ Applicable ☒ Inapplicable

The Company made no contract in the report period

#### (3) Leasing

☒ Applicable ☐ Inapplicable

Leasing

The investment real estate is used as external leasing. The rental income in the report period is RMB24,693,767.83.

Projects that create gains accounting for over 10% of the Company's total profit in the report period

☐ Applicable ☒ Inapplicable

The Company leased no projects that create gains accounting for over 10% of the Company's total profit in the report period.

### 2. Significant guarantee

☒ Applicable ☐ Inapplicable

(1) Guarantee

In RMB10,000

External guarantees made by the Company and subsidiaries (exclude those made for subsidiaries)								
Guarantee provided to	Date of disclosure	Guarantee amount	Actual date	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related party
Guarantee provided to subsidiaries								
Guarantee provided to	Date of disclosure	Guarantee amount	Actual date	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related party
FangdaJianke	24.04.18	30,000.00	28.08.18	15,771.74	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaJianke	21.03.17	40,000.00	06.12.17	19,738.37	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaJianke	21.03.17	40,000.00	01.11.17	2,521.05	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaJianke	21.03.17	20,000.00	10.04.18	49,793.76	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaJianke	24.04.18	9,000.00	13.07.18	6,288.00	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaJianke	24.04.18	10,000.00	12.06.18	5,371.94	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaZhichuang	24.04.18	21,600.00	06.08.18	26,059.98	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
FangdaZhichuang	21.03.17	15,000.00	08.03.18	3,852.74	Joint liability	since engage of contract to	No	Yes

						2 years upon due of debt		
Fangda New Material	24.04.18	8,000.00	01.06.18	4,543.85	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
Fangda New Material	24.04.18	6,500.00	01.06.18	306.02	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
Fangda Property	23.03.13	130,000.00	03.02.15	89,397.82	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
The Company	21.03.17	60,000.00	22.02.18	-	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
The Company	21.03.17	25,000.00	29.09.18	20,000.00	Joint liability	since engage of contract to 2 years upon due of debt	No	Yes
Total of guarantee to subsidiaries approved in the report term (B1)		415,100		Total of guarantee to subsidiaries actually occurred in the report term (B2)		141,011.56		
Total of guarantee to subsidiaries approved as of the report term (B3)		415,100		Total of balance of guarantee actually provided to the subsidiaries as of end of report term (B4)		243,645.27		
Guarantee provided to subsidiaries								
Guarantee provided to	Date of disclosure	Guarantee amount	Actual date	Actual amount of guarantee	Type of guarantee	Term	Complete d or not	Related party
Total of guarantee provided by the Company (total of the above three)								
Total of guarantee approved in the report term (A1+B1+C1)		415,100		Total of guarantee occurred in the report term (A2+B2+C2)		141,011.56		
Total of guarantee approved as of		415,100		Total of guarantee occurred		243,645.27		



end of report term (A3+B3+C3)		as of the end of report term (A4+B4+C4)	
Percentage of the total guarantee occurred (A4+B4+C4) on net asset of the Company			46.90%
Including:			
Note of immature guarantee with guarantee liabilities or possible joint damage liabilities in the report period		None	
Statement of external guarantees violating the procedure (if any)		None	

Note of compound guarantee

## (2) Incompliant external guarantee

☐ Applicable ☒ Inapplicable

The Company made no incompliant external guarantee in the report period.

## 3. Entrusted cash capital management

### (1) Wealth management

☒ Applicable ☐ Inapplicable

Wealth management during the reporting period

In RMB10,000

Type	Source of fund	Amount	Undue balance	Due balance to be recovered
Bank financial products	Self-owned fund	83,200	0	0

Specific circumstances of high-risk entrusted financing with large individual amount or low security, poor liquidity, and no cost protection

☐ Applicable ☒ Inapplicable

Entrusted financial management expected to fail to recover the principal or likely result in impairment

☐ Applicable ☒ Inapplicable

### (2) Trusted loans

☐ Applicable ☒ Inapplicable

The Company borrowed no trust loan in the report period.

## 4. Other significant contract

☐ Applicable ☒ Inapplicable

The Company entered into no other significant contract in the report.

## XVI Social responsibilities

### 1. Fulfillment of social responsibilities

The Company has disclosed the "2018 Social Responsibility Report", the details of which are published on the website of <http://www.cninfo.com.cn> on January 30 2019.

### 2. Performance of poverty relieving responsibilities

#### (1) Annual poverty relieving summary

In 2018, the Company used funds for precision poverty alleviation projects of RMB1,936,000 as follows:

(1) In order to improve the conditions for schools in rural areas and improve the education level in poverty-stricken areas, in October 2018, the Company signed a donation of 1.2 million yuan for the expansion and repair of the Fangda Hope Primary School in Lianyu Town, Xingjian District, Nanchang, which was originally donated by the Company. The preparation phase is expected to be completed in the first half of 2019.

(2) In order to help the Lianhua County of Pingxiang City Jiangxi Province to achieve poverty alleviation, the Company plans to donate 1 million yuan to the Pingxiang City Charity Association to develop the lily industry. RMB500,000 was donated in July 2018, with another RMB500,000 to be donated in 2019.

(3) In order to help the poor areas get rid of poverty, the Company invested 150,000 yuan to build a solar photovoltaic poverty alleviation power station in the Dongshui Village Committee of Xishan Town, Lianping County, Heyuan City, Guangdong Province and passed the grid inspection and acceptance and delivered it in July 2018.

(4) In order to help the Jinggangshan Revolutionary Old District to alleviate poverty, the Company purchased 56,000 yuan worth of agricultural products in November 2018.

(5) The Company donated RMB30,000 to two students in Long Village, Shahe Town, Zhanggong District, Ganzhou City, Jiangxi Province.

#### (2) Result of targeted poverty alleviation

Item	Unit	Qty/Description
1. General situation	—	—
Including: 1. Fund	(in RMB10,000)	193.6
II. Investment	—	—
1. Industry development poverty relief	—	—
Including: 1.1 Industry development projects	—	Rural and forestry industry poverty alleviation
1.2 Number of industry development projects	Item	1
1.3 Amount of industry development fund	(in RMB10,000)	50
2. Employment transfer	—	—
3. Relocation	—	—

4. Education	—	—
Including: 4.1 Sponsor to students from poor families	(in RMB10,000)	3
4.2 Number of students	Person	2
4.3 Education investment in poor areas	(in RMB10,000)	120
5. Health care support	—	—
6. Eco-protection support	—	—
7. Last-line guarantee	—	—
8. Social poverty relieving	—	—
8.2 Targeted poverty alleviation investment amount	(in RMB10,000)	20.6
9. Others	—	—
III. Prizes	—	—

### (3) Further property relief plans

The Company will continue to fulfill its social responsibility for precision poverty alleviation, and make donations from time to time based on business development.

## 3. Environmental protection

Whether the Company and its subsidiaries are key polluting companies disclosed by the environmental protection authority

No

The Company and its subsidiaries have earnestly implemented the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Water Pollution Prevention and Control, the Law of the People's Republic of China on the Prevention and Control of Air Pollution, and the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution. In the environmental protection laws and regulations, there were no penalties for violations of laws and regulations during the reporting period.

## XIX. Other material events

☒ Applicable ☐ Inapplicable

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

Qualifications in the decoration industry:

No.	Qualification	Effectiveness
1	Construction curtain wall designing class A	By April 16, 2020

2	Construction curtain wall contracting class A	By 03.02.21
3	Construction decoration contracting class B	By 04.03.21
4	Steel structure engineering contracting class B	By 04.03.21
5	Construction mechanical and electric equipment installation contracting class C	By 04.03.21
6	City and road lighting engineering contracting class C	By 04.03.21

In the report period, the Company's safety management is normal. The Company pays large attention to employees' safety awareness and capabilities of emergency processing. The Company has strengthened safety production and investigation of safety risks. The Company has formulated safety management guidelines to guide safety management. There was no significant safety accidents in the report period.

## XX. Material events of subsidiaries

☐ Applicable ☒ Inapplicable

## Chapter VI Changes in Share Capital and Shareholders

### I. Changes in shares

#### 1. Changes in shares

In share

	Before the change		Change (+,-)					After the change	
	Amount	Proportion	Issued new shares	Bonus shares	Transfer red from reserves	Others	Subtotal	Amount	Proportion
I. Shares with trade restriction conditions	1,417,243	0.12%				14,325	14,325	1,431,568	0.13%
3. Other domestic shares	1,417,243	0.12%				14,325	14,325	1,431,568	0.13%
Domestic natural person shares	1,417,243	0.12%				14,325	14,325	1,431,568	0.13%
II. Shares without trading limited conditions	1,182,225,011	99.88%				-60,272,390	-60,272,390	1,121,952,621	99.87%
1. Common shares in RMB	678,298,229	57.31%				-14,325	-14,325	678,283,904	60.38%
2. Foreign shares in domestic market	503,926,782	42.57%				-60,258,065	-60,258,065	443,668,717	39.49%
III. Total of capital shares	1,183,642,254	100.00%				-60,258,065	-60,258,065	1,123,384,189	100.00%

Reasons

☒ Applicable ☐ Inapplicable

1. The quantity and proportion of "after this change" in the above table are the data of the Company's repurchase of 60,258,065 B shares as of January 11 2019 and cancelled (the latest data before the disclosure of this report). In 2018, the Company reviewed and approved two cases of repurchasing B shares. As of the disclosure date of this report, the Company has repurchased 60,258,065 B shares of which 33,902,665 shares were repurchased in 2018 and 26,355,400 shares were repurchased in 2019. For details please, refer to the "Announcement on the Completion of the Cancellation of Repurchased Shares" disclosed by the company on August 31 2018 and January 15 2019.

2. Mr. Yin Changjian, the former employee representative supervisor of the Company applied for resignation. On December 28 2018, Mr. Ye Zhiqing was elected as the employee representative supervisor of the 8th Supervisory Committee of the Company by the Company's employee meeting. He held 19,100 shares of the Company's A shares, of which 14,325 shares are subject to sales restriction.

Approval of the change

☒ Applicable ☐ Inapplicable

1. In 2018 the Company implemented two repurchase approvals for B shares:

(1) First repurchase in 2018: The Company reviewed and approved the Resolution on the Repurchase of Domestically Listed Foreign Shares (B Shares) of the Company at the 8<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors and the 2017 Annual General Meeting of Shareholders on April 24 2018 and May 15 2018 respectively.

(2) Second repurchase: The Company reviewed and approved the Resolution on the Repurchase of Domestically Listed Foreign Shares (B Shares) of the Company at the 10<sup>th</sup> meeting of the 8<sup>th</sup> Board of Directors and the first extraordinary shareholders' meeting in 2018 held on September 10, 2018 and September 27, 2018 respectively.

2. On December 28 2018, Mr. Ye Zhiqing was elected as the employee representative supervisor of the 8th Supervisory Committee of the Company by the company's staff meeting.

#### Share transfer

☒ Applicable ☐ Inapplicable

1. The cancellation of the shares of B shares purchased twice

(1) From August 13, 2018 to August 16, 2018, the Company repurchased 28,160,568 shares of B shares through centralized bidding, and completed the above at China Securities Depository and Clearing Co., Ltd. Shenzhen Branch on August 29, 2018. share repurchase and cancellation procedures.

(2) From 19.12.18 to 03.01.19, the Company repurchased 32,097,497 shares of B shares through centralized bidding, and completed the above at China Securities Depository and Clearing Co., Ltd. Shenzhen Branch on 11.01.19. share repurchase and cancellation procedures.

2. On December 28 2018, Mr. Ye Zhiqing was elected as the employee representative supervisor of the 8th Supervisory Committee of the Company by the Company's employee meeting. He held 19,100 shares of the Company's A shares, of which 14,325 shares are subject to sales restriction.

#### Progress in the implementation of share repurchase

☒ Applicable ☐ Inapplicable

In 2018 the Company implemented two repurchase of B shares, the specific implementation is as follows:

Repurchase	Period	Number of shares	Fund used	Highest price (HKD/share)	Lowest price (HKD/share)	Date of cancellation
First	13.08.18 to 16.08.18	28,160,568	114,478,923.89	4.22	3.95	29.08.18
Second	December 19, 2018 to 31.12.18	5,742,097	19,488,199.08	3.58	3.24	11.01.19
	02.01.19 to January 3, 2019	26,355,400	93,524,433.13			
	Total	<b>60,258,065</b>	<b>227,491,556.10</b>			

#### Progress in the implementation of the reduction of shareholding shares by means of centralized bidding

☐ Applicable ☒ Inapplicable

Impacts on financial indicators including basic and diluted earnings per share, net assets per share attributable to common shareholders of the company in the most recent year and period

☐ Applicable ☒ Inapplicable

Others that need to be disclosed as required by the securities supervisor

☐ Applicable ☒ Inapplicable

## 2. Changes in conditional shares

☒ Applicable ☐ Inapplicable

Shareholder	Conditional shares at beginning of the period	Released this period	Increased this period	Conditional shares at end of the period	Reason of condition	Date of releasing
Ye Zhiqing	0	0	14,325	14,325	Newly elected as an employee representative in the reporting period	25% of the annual shareholding is released from the sale
Total	0	0	14,325	14,325	--	--

## II. Share placing and listing

### 1. Securities issuance (excluding preference shares) during the report period

☐ Applicable ☒ Inapplicable

### 2. Statement of changes in share number and shareholder structure, assets and liabilities structure

☒ Applicable ☐ Inapplicable

- As a result of the repurchase of B shares in the 2018, the company repurchased B shares and cancelled 60,258,065 shares as of the disclosure date of this report. The total share capital decreased from 1,183,642,254 shares to 1,123,384,189 shares.
- During the reporting period, Mr. Ye Zhiqing the newly elected employee representative supervisor held 19100 A shares of the Company of which 75% were restricted shares resulting in an increase of 14,325 shares in the company.

### 3. Current employees' shares

☐ Applicable ☒ Inapplicable

## III. Shareholders and the substantial controller of the Company

### 1. Shareholders and shareholding

In share

Number of shareholders of common shares	62,746	Total number of ordinary share shareholders at	62,746	Number of shareholders of preferred stocks of	None	Total number of shareholders of preference shares	None
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at the end of the report period		the end of the month before the disclosure date of the annual report		which voting rights recovered in the report period (if any)		of which voting rights resumed at the end of the month before the disclosure date of the annual report		
Shareholders holding 5% of the Company's shares or top-10 shareholders								
Shareholder	Nature of shareholder	Shareholding percentage	Number of shares held at the end of the reporting period	Change in the reporting period	Conditional shares	Amount of shares without sales restriction	Pledging or freezing	
							Share status	Amount
Shenzhen Banglin Technologies Development Co., Ltd.	Domestic non-state legal person	10.08%	113,202,154	10,040,745	0	113,202,154	Pledged	37,559,997
Shengjiu Investment Ltd.	Foreign legal person	8.36%	93,875,638	3,177,756	0	93,875,638		
Fang Wei	Domestic natural person	3.08%	34,611,453	34,611,453	0	34,611,453		
Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)	Domestic non-state legal person	2.38%	26,791,488	0	0	26,791,488		
ShenwanHongyuan Securities (Hong Kong) Co., Ltd.	Foreign legal person	1.77%	19,879,147	3,580,710	0	19,879,147		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	1.30%	14,550,605	-33,973,622	0	14,550,605		
SUN HUNG KAI INVESTMENT SERVICES LTD	Foreign legal person	0.91%	10,169,002	10,169,002	0	10,169,002		
VANGUARD EMERGING MARKETS STOCK INDEX	Foreign legal person	0.71%	7,946,483	0	0	7,946,483		



FUND								
Jiang Jing	Domestic natural person	0.58%	6,525,441	-735,000	0	6,525,441		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.54%	6,025,958	1,150,300	0	6,025,958		
A strategic investor or ordinary legal person becomes the Top10 shareholder due a stock issue.		None						
Notes to top ten shareholder relationship or "action in concert"		Among the shareholders, Shenzhen Banglin Technology Development Co., Ltd. and Shengjiu Investment Co., Ltd. are parties action-in-concert. Shenzhen Banglin Technology Development Co., Ltd. and Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise are related parties. The Company is not notified of other action-in-concert or related parties among the other holders of current shares.						
Top 10 holders of unconditional shares								
Shareholder		Amount of shares without sales restriction				Category of shares		
						Category of shares	Amount	
Shenzhen Banglin Technologies Development Co., Ltd.		113,202,154				RMB common shares	113,202,154	
Shengjiu Investment Ltd.		93,875,638				Foreign shares listed in domestic exchanges	93,875,638	
Fang Wei		34,611,453				RMB common shares	34,611,453	
Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)		26,791,488				RMB common shares	26,791,488	
ShenwanHongyuan Securities (Hong Kong) Co., Ltd.		19,879,147				Foreign shares listed in domestic exchanges	19,879,147	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED		14,550,605				Foreign shares listed in domestic exchanges	14,550,605	
SUN HUNG KAI INVESTMENT SERVICES LTD		10,169,002				Foreign shares listed in domestic exchanges	10,169,002	
VANGUARD EMERGING		7,946,483				Foreign shares	7,946,483	

MARKETS STOCK INDEX FUND		listed in domestic exchanges	
Jiang Jing	6,525,441	RMB common shares	6,525,441
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	6,025,958	Foreign shares listed in domestic exchanges	6,025,958
No action-in-concert or related parties among the top10 unconditional shareholders and between the top10 unconditional shareholders and the top10 shareholders	Among the shareholders, Shenzhen Banglin Technology Development Co., Ltd. and Shengjiu Investment Co., Ltd. are parties action-in-concert. Shenzhen Banglin Technology Development Co., Ltd. and Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise are related parties. The Company is not notified of other action-in-concert or related parties among the other holders of current shares.		
Top-10 common share shareholders participating in margin trade (if any)	Jiang Jing holds 6,525,441 stocks of the Company through the Everbright Securities customer credit transaction guarantee securities account.		

Agreed re-purchasing by the Company's top 10 shareholders of common shares and top 10 shareholders of unconditional common shares in the report period

☐ Yes ☒ No

No agreed re-purchasing by the Company's top 10 shareholders of common shares and top 10 shareholders of unconditional common shares in the report period

Note: The "shareholding ratio" in the above table is calculated based on the total share capital of 1,123,384,189 shares after the cancellation of the repurchased B shares on January 11, 2019.

## 2. Profile of the controlling shareholders

Shareholder nature: natural person holding

Type of shareholder: legal person

Name of controlling shareholder	Legal representative/responsible person	Date of establishment	Organization code	Main business
Shenzhen Banglin Technologies Development Co., Ltd.	Chen Jinwu	07.06.01	914403007298400552	Industrial investment, developing of electronic products, technical consulting, domestic commerce, material trading

Changes in the controlling shareholder in the reporting period

☐ Applicable ☒ Inapplicable

No change in the controlling shareholder in the report period

## 3. Actual controller and persons acting in concert

Nature of actual controller: domestic natural person

Type of actual controller: natural person

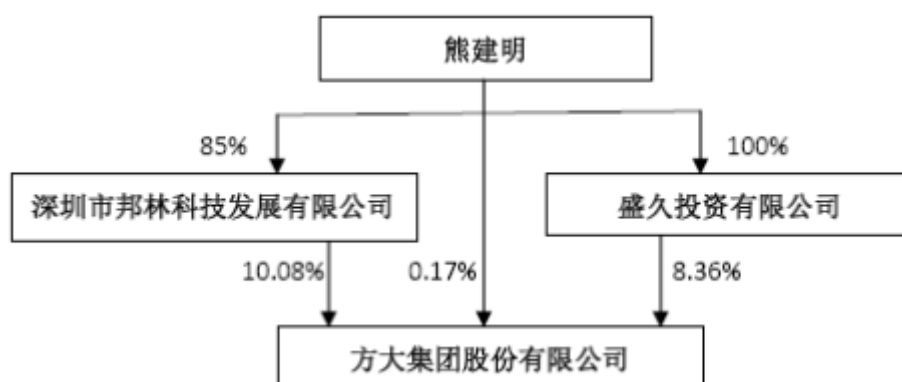
Name of substantial controller	Relationship with the actual controller	Nationality	Right of residence in another country or region
XiongJianming	Himself	Chinese	No
Job and position	Chairman of the Board and president of the Company over the past 5 years		
Profiles of domestic and overseas listed companies in which the controller held shares	The controller held no share in other listed companies in the last ten years.		

Change in the actual controller in the report period

☐ Applicable ☒ Inapplicable

No change in the actual shareholder in the report period

7. Chart of the controlling relationship



Controlling over the Company by the substantial controller through trust or other asset management

☐ Applicable ☒ Inapplicable**4. Other legal person shareholders with over 10% of total shares**☐ Applicable ☒ Inapplicable**5. Conditional decrease of shareholding by controlling shareholder, actual controller, reorganizer and other entities**☐ Applicable ☒ Inapplicable

## **Chapter VII Preferred Shares**

☐ Applicable ☒ Inapplicable

The Company had no preferred share in the report period.

## Chapter VIII Particulars about the Directors, Supervisors, Senior Management and Employees

### I. Changes in shareholding of Directors, Supervisors and Senior Management

Name	Position	Job status	Sex	Age	Starting date of the term	End date of the term	Number of shares held at beginning of the period	Increased shares in this period (share)	Decreased shares in this period (share)	Other increase and decrease (share)	Number of shares held at end of the period
XiongJianming	Chairman , president	In office	M	61	20.11.95	11.04.20	1,889,657				1,889,657
Lin Kebin	Director	In office	M	41	11.04.17	11.04.20					
Lin Kebin	Vice president	In office	M	41	06.06.08	11.04.20					
Zhou Zhigang	Director	In office	M	56	09.04.07	11.04.20					
Zhou Zhigang	Vice president	In office	M	56	11.04.17	11.04.20					
Zhou Zhigang	Secretary of the Board	In office	M	56	22.10.03	11.04.20					
XiongJianwei	Director	In office	M	50	16.04.99	11.04.20					
Guo Wanda	Independent director	In office	M	53	31.03.14	11.04.20					
Deng Lei	Independent director	In office	M	40	16.02.16	11.04.20					
GuoJinlong	Independent director	In office	M	57	11.04.17	11.04.20					
Dong Gelin	Supervisor	In office	M	40	28.12.18	11.04.20					

	Committee meeting convener										
Dong Gelin	Supervisor	In office	M	40	11.04.17	11.04.20					
Cao Naisi	Supervisor	In office	F	40	11.04.17	11.04.20					
Ye Zhiqing	Supervisor	In office	M	44	28.12.18	11.04.20				19,100	19,100
Wei Yuexing	Vice president	In office	M	50	29.07.11	11.04.20					
Yin Changjian	Supervisory Committee meeting convener	Resigned	M	50	31.03.14	28.12.18					
Total	--	--	--	--	--	--	1,889,657	0	0	19,100	1,908,757

## II. Changes in the Directors, Supervisors and Senior Executives

√ Applicable □ Inapplicable

Name	Job	Type	Date	Reason
Yin Changjian	Supervisory Committee meeting convener	Resigned	28.12.18	Resigned due to personal reason

## III. Office Description

### Professional background, work experience and main duties in the Company of existing directors, supervisors and senior management

1. Mr. XiongJianming: PHD Management; senior engineer; part-time professor of Beijing Institute of Civil Engineering and Architecture and Nanchang University. He was once employed by Jiangxi Provincial Machinery Design Academe, Administration Bureau of Shekou District of Shenzhen government, etc, deputy to the 10th People's Congress of Guangdong Province, deputy to the 2<sup>nd</sup> and 3<sup>rd</sup> People's Congress of Shenzhen City. He is now the chairman and CEO of the Company, representative of the 13<sup>th</sup> National People's Congress and the 6<sup>th</sup> Shenzhen People's Congress, president of the Shenzhen Semi-conductor Lighting Industry Promotion Association, chairman of Shenzhen Jiangxi Commerce Chamber, chairman of Shenzhen Nanshan District Industry and Commerce Association and honorary chairman of Shenzhen Nanshan District Charity.
2. Mr. Lin Kebin holds a bachelor's degree. He was once the CFO of the Company and is currently a director and vice president of the Company.
3. Mr. XiongJianwei: MBA. He is a director of the Company, Chairman of the Board of Director of FangdaJianke and a member of the 14<sup>th</sup> Nanchang CPPCC Standing Committee.

4. Mr. Zhou Zhigang, bachelor's degree. He is currently a director, vice president, Secretary of Board, and head of the Securities Dept of the Company.
5. Mr. Guo Wanda: He is an Economics Ph. D and researcher. As the executive deputy president of China Development Institute, he has studied in macro-economy, industry policies and enterprise development strategies for years and provided consulting services. He is an independent director of the Company.
6. Mr. Deng Lei is a law Ph. D and post-doctor in the financial securities law of Shenzhen Stock Exchange. He was once the vice director of Corporate Law Affair Commission of Shenzhen Lawyer Association and a senior partner of Guangdong China Commercial Law Firm. He is an independent director of the Company.
7. Mr. GuoJinlong: Master, Certified Public Accountant of China. He was a member of the fifth session of the CPPCC of Shenzhen City. He is currently the deputy to the sixth session of the People's Congress of Shenzhen, vice chairman of Guangdong Certified Public Accountants Association, partner of ShineWing Certified Public Account, and an independent director of the Company.
8. Mr. Dong Gelin: Bachelor degree, senior engineer, former designer of FangdaJianke, chief engineer of the design institute, assistant to general manager, general manager of FangdaJianke Beijing Branch, currently he is currently the director of the Company's Development Planning Department, the director of Enterprise Management, the director of Technology Innovation and the convener of the Board of Supervisors.
9. Ms. Cao Naisi: Bachelor's degree, intermediate economist, former securities affairs representative of the company, supervisor of the sixth session of the Supervisory Committee, director of audit supervision department, deputy director of human resources department, general manager of FangdaJianke Beijing branch, FangdaJianke South China General Manager of the branch, currently Deputy General Manager of FangdaJianke, and supervisor of the Company.
10. Mr. Ye Zhiqing holds a Bachelor degree and is a senior engineer. He is currently the deputy director of the company's corporate management department, the general manager of FangdaJianke's Shanghai branch and the company's supervisor.
11. Mr. Wei Yuexing holds a Bachelor degree and is a senior engineer. He is the vice president of the Company and general manager of FangdaJianke.

Offices held at shareholders entitie

☒ Applicable ☐ Inapplicable

Name	Shareholder entity	Office	Starting date of the term	End date of the term	Whether any remuneration is paid at the shareholder entity
XiongJianming	Shengjiu Investment Ltd.	Chairman	06.10.11		No
Wei Yuexing	Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)	Executive partner	20.12.16		No
Office description	None				

Offices held at other entities

☒ Applicable ☐ Inapplicable

Name	Entity name	Office	Starting date of the term	End date of the term	Whether any remuneration is paid at the shareholder entity

Guo Wanda	General development research institute (Shenzhen, China)	Standing vice president	01.07.07		Yes
Guo Wanda	Shenzhen Baode Technology Group Co., Ltd.	Independent director	06.06.08		Yes
Guo Wanda	Hercules Logistics	Independent director	01.11.13		Yes
Guo Wanda	Shenzhen Aotexun Power Equipment Co. Ltd.	Independent director	27.03.17		Yes
Deng Lei	Guangdong China Commercial Law Firm	Senior partner	01.11.15		Yes
Deng Lei	Wuhan Gaode Infrared Co., Ltd.	Independent director	23.04.15		Yes
Deng Lei	Shenzhen Haimingrun Industrial Co., Ltd.	Independent director	18.11.14		Yes
Deng Lei	Shenzhen Huaqiang Industrial Co. Ltd.	Independent director	13.04.18		Yes
GuoJinlong	ShineWing Certified Public Accountants (limited liability partnership)	Partner	01.07.06		Yes
Office description	The above-mentioned three are independent directors of the Company.				

Penalties given by existing securities regulators on directors, supervisors and senior management and those who have resigned in the report period

☒ Applicable ☐ Inapplicable

According to the "China Securities Regulatory Commission's Administrative Punishment Decision" (2017) No. 101 of December 6, 2017, ShineWing Certified Public Account (Special General Partnership) (hereinafter referred to as ShineWing) had the following illegal facts:

1. ShineWing violated business rules established legally during the preparation of the IPO (three-year and one period) and the 2014 annual report of HuaijiDengyun Auto Parts Co., Ltd.
2. ShineWing did not diligently perform their duties and had false records of the audit report issued by HuaijiDengyun shares in the 2013 annual report.

The signed certified public accountant and Mr. GuoJinlong, an independent director of the Company that issued the audit report, were given warnings and a fine of RMB50,000 yuan.

#### IV. Remunerations of the Directors, Supervisors and Senior Executives

Decision making procedures, basis and actual payment of remunerations of the Directors, Supervisors and Senior Executives

1. Remuneration schemes for directors and supervisors are proposed by the Remuneration and Assessment Committee of the Board, and implemented upon approval of the Board and the Shareholders' Meetings; the remuneration schemes for executives are approved and implemented by the Board.

Remuneration for directors and supervisors are decided by the shareholders' meeting. Remunerations for executives are composed of wages and performance bonus as decided by the Board.



Payment on monthly basis

Remunerations of the Directors, Supervisors and Senior Executives of the Company During the reporting period

In RMB10,000

Name	Position	Sex	Age	Job status	Total remuneration	Remuneration from related parties
XiongJianming	Chairman, president	M	61	In office	222.62	No
Lin Kebin	Director, vice president	M	41	In office	95.44	No
Zhou Zhigang	Director, vice president secretary of the Board	M	56	In office	71.57	No
XiongJianwei	Director	M	50	In office	85.1	No
Guo Wanda	Independent director	M	53	In office	8	No
Deng Lei	Independent director	M	40	In office	8	No
GuoJinlong	Independent director	M	57	In office	8	No
Yin Changjian	Supervisory Committee meeting convener	M	50	Resigned	46.34	No
Cao Naisi	Supervisor	F	40	In office	46.89	No
Dong Gelin	Supervisor	M	40	In office	47.03	No
Wei Yuexing	Vice president	M	50	In office	82.6	No
Total	--	--	--	--	721.6	--

Equity incentive programs provided for the Directors, and Senior Executives of the Company during the reporting period

☐ Applicable ☒ Inapplicable

## 5. Employees

### 1. Staff number, professional composition and education

Staff number of the parent	61
Staff number of major subsidiaries	1,705
Total staff number	2,206

Number of employees receiving remuneration in the period	2,206
Resigned and retired staff number to whom the parent and major subsidiaries need to pay remuneration	0
Professional composition	
Categories of professions	Number of people
Production	727
Sales & Marketing	71
Technicians	1,220
Finance & Accounting	60
Executive	128
Total	2,206
Education	
Categories of education	Number of people
High school or below	1,072
College diploma	426
Bachelor	688
Master's degree	19
Doctor's degree	1
Total	2,206

## 2. Remuneration policy

Staff remuneration policy: The Company's staff remuneration comprises post wage, performance wage, allowance and annual bonus. The Company has set up an economic responsibility assessment system according to the annual operation target and responsibility indicators for all departments. The performance wage is determined by the economic indicators, management indicators, optimization indicators and internal control. The annual bonus is determined by the Company's annual profit and fulfillment of targets set for various departments. The staff remuneration and welfare will be adjusted according to the Company's business operation and changes in the local standard of living and price index.

## 3. Training program

Staff training plan: The Company has paid continuous attention to training and development of the staff and introduces innovative learning as part of the long-term strategy. We provide training programs through different channels and in different fields for different employees will help them fulfill their works, including new staff training, on-the-job training, operation and management training programs. These programs have largely elevated capabilities of the staff and underpin the success of the Company.

**4. Labor outsourcing**√ Applicable ☐ Inapplicable

Total number of hours of labor outsourcing	11,330,655.36
Total remuneration paid for labor outsourcing (RMB)	339,919,660.78

## Chapter IX Corporation Governance

### 1. Overview

During the report period, the Company strictly complied with the Company Law, Securities Law, Governance Standards for Listed Companies, Shenzhen Stock Exchange Share Listing Rules, Operation Regulations for Listed Companies in the Main Board of Shenzhen Stock Exchange, continued to improve the legal person governance structure and has formulated a series of internal management systems covering various aspects. The Company has set up a comprehensive and effective internal control system in important decision making, related transaction decision making, financial management, HR management, administration, purchase, production and sales management, confidentiality and information disclosure.

Major difference between the actual corporate governance and regulations on corporate governance of listed companies issued by CSRC

☐ Yes ☒ No

There is no major difference between the actual corporate governance and regulations on corporate governance of listed companies issued by CSRC.

### 2. Independence of the Company from the controlling shareholder in aspects of businesses, personnel, assets, organizations, and accounting

In the aspect of business: the Company has its own purchasing, production, sales, and customer service system which performing independently. There is not any material related transactions occurred with the controlling shareholders.

In personnel: The labor management, personnel and salary management are operated independently from the controlling shareholder. The senior managements take salaries from the Company and none of them takes senior management position in the controlling party.

In assets: The Company owns its production, supplementary production system and accessory equipments independently, and possesses its own industrial properties, non-patent technologies, and trademark.

In organization: The production and business operation, executive management, and department setting are completely independent from the controlling shareholder. No situation of combined office exists. The Company adjusts its organizing structure only for its own practical requirement of development and management.

In accounting: The company has its own independent accounting and auditing division, established independent and completed accounting system and management rules, has its own bank account, and exercise its liability of taxation independently.

### 3. Competition

☐ Applicable ☒ Inapplicable

### 4. Annual and extraordinary shareholder meetings held during the report period

#### 1. Annual shareholder meeting during the report period

Meeting	Type	Participation	Date	Date of disclosure	Index for information disclosure
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		of investors			
2017 Annual Shareholder Meeting	Annual shareholders' meeting	19.68%	15.05.18	16.05.18	Notice on Resolutions of the Annual Shareholders' Meeting (2017) released on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
1 <sup>st</sup> Provisional Shareholders' Meeting 2018	Extraordinary shareholders' meeting	21.31%	27.09.18	28.09.18	Notice on Resolutions of the 1 <sup>st</sup> Extraordinary Shareholders' Meeting in 2018 (2018-46)

## 2. Shareholders of preference shares of which voting right resume convening an extraordinary shareholders' meeting

☐ Applicable ☒ Inapplicable

## V. Performance of independent directors during the report period

### 1. Independent directors' presenting of board meetings and shareholders' meetings in the report period

Independent directors' presenting of board meetings and shareholders' meetings in the report period							
Name of independent director	Time of board meetings should have attended	Number of board meetings attended	Presented by telecom	Number of board meetings attended by proxy	Number of board meetings not attended	Absent for two consecutive meetings	Number of shareholders' meetings attended
Guo Wanda	6	2	4	0	0	No	1
Deng Lei	6	2	4	0	0	No	2
GuoJinlong	6	2	4	0	0	No	1

Statement for absence for two consecutive board meetings

Inapplicable

### 2. Objection raised by independent directors

Any objection raised by independent directors against the Company's related issues

☐ Yes ☒ No

Independent directors made no objection on related issued of the Company in the report period.

### 3. Other statement for performance of independent directors

Adoption of suggestion proposed by independent directors

☒ Yes ☐ No

Statement for suggestion adopted or not by the Company

During the reporting period, the Company's independent directors strictly followed the relevant laws, regulations and the "Articles of Association" and paid attention to the Company's operations, attended the Company's Board of Directors and shareholders' meeting, and all the independent directors carefully reviewed the various proposals of the Company's Board of

Directors and performed their duties conscientiously. The development decision has put forward constructive opinions or suggestions, and has issued independent opinions on the improvement of the Company's system and major business management matters, corporate guarantees, profit distribution, use of raised funds, etc. Independent directors have adopted the Company's relevant recommendations. It has played an active role in safeguarding the interests of the Company and small and medium shareholders.

## VI. Performance of specific committees under the Board

### (1) Performance of the Development Strategy Committee

During the report period, the Development Strategy Committee of the Company has performed its duties in accordance with the Working Regulations for Development Strategy Committee and played its role in the decision-making process of the Company. Two meetings were convened and details are disclosed as follows:

1. On 20.02.18, the Company held the 2<sup>nd</sup> meeting of the 8<sup>th</sup> Development Strategy Commission to listen to the report on production and operation in 2017 and production and operation plan for 2018.
2. On 03.08.18, the 3<sup>rd</sup> meeting of the Development Strategy Committee of the 8<sup>th</sup> term of the Board was held to view the Company's production and operation in the first half of 2018 and studied the fulfillment of the business plan in the first half of the year and places to be improved in the second half.

### (2) Performance of the Auditing Committee

During the report period, four Auditing Committee meetings are held to review issues including the arrangement of audit, regular financial reports, engaging the CFA, and use of the fund raised. Details of the meetings are disclosed as follows:

1. On 17.04.18, the 4<sup>th</sup> meeting of the Auditing Committee of the 8<sup>th</sup> term of the Board was held to review the financial statements with the initial opinion issued by the CFA for 2017 and approve the auditor report issued by the CFA. After the CFA issued to final auditor's opinion, the Auditing Committee submitted the resolution on the annual financial statements to the Board and issued the summary report on the auditing of the CFA for this year.
2. On 20.04.18, the Company held the 5<sup>th</sup> audit committee meeting of the 8<sup>th</sup> Board of Directors to listen to the 2017 financial and internal audit report and approved (1) audited 2017 financial statements; (2) 2018 Q1 financial statements; (3) proposal of engaging the auditor in 2018; (4) 2018 internal audit plan; (5) internal control self-evaluation report in 2017.

The audit committee suggests that the internal audit body should increase communication with the audit committee to help the committee better under the Company's condition and make higher requirements on the audit quality. The members of the audit committee gave professional advice on improving the Company's processes, optimizing the system, and risk prevention from various perspectives based on their own experience in different industries. They also put forward higher requirements for the Company's future internal control work.

3. On August 3 2018, the Company held the 6<sup>th</sup> meeting of the Audit Committee of the 8<sup>th</sup> Board of Directors and reported to the members on the financial work and internal audit work report for the first half of 2018. The company's unaudited 2018 semi-annual financial accounting statements were reviewed and approved.
4. On 17.10.18, the 7<sup>th</sup> meeting of the Auditing Committee of the 8<sup>th</sup> term of the Board on which the unaudited 2018 Q3 financial statements were approved.

### (3) Performance of the Remuneration and Assessment Committee

During the reporting period, the Remuneration and Appraisal Committee of the Board of Directors held the first meeting of the Remuneration and Appraisal Committee of the 8<sup>th</sup> Board of Directors on April 20 2018 according to the "Working Rules of the Remuneration and Appraisal Committee" formulated by the company and reviewed the proposal for 2017 annual remuneration of supervisors and senior management personnel.

## VII. Performance of Supervisory Committee

### (1) Risks for the Company discovered by the Supervisory Committee

☐ Yes ☒ No

No disagreement with supervisory issues by the Supervisory Committee during the report period.

### (2) The Supervisory Committee's Work Report 2018

In 2018, the Supervisory Committee performed its duties and obligations in supervision and protect shareholders' and the Company's interests in accordance with the Company Law, Share Listing Rules, Articles of Association and Rules of the Procedure of the Supervisory Committee. The 2018 supervisory committee's work plan is as follows:

#### 1. Opinions

##### (1) Legal compliance

In the report period, the Company has been operated in accordance with law. The convening of meeting of the Board and the decision-making process are compliant with law, regulations and Articles of Association; the internal control system is solid. Directors and senior management have performed their obligations. No violation against law, regulations, Articles of Association and interests of the Company and shareholders was discovered.

##### (2) Financial condition

During the period, the accounting management has been compliant with the Accounting Law, Enterprise Accounting Standard. No false, misleading statement or significant omission was found in financial statements. The financial reports of the Company reflect the Company's financial position, operation performance, cash flows and major risks truthfully, accurately and completely. The CPA has issued the standard auditor's report in 2018, which is objective, fair and truthful. It reflects the Company's financial position and operation performance.

##### (3) Implementation of internal control

The design and operation of the internal control is effective and meets the Company's management and development requirements. It can ensure the truthfulness, lawfulness, completeness of the financial materials and ensure the safety and completeness of the Company's property. In 2018, there was no violation by the Company against the Operation Regulations for Listed Companies in the Main Board of Shenzhen Stock Exchange and the Company's internal control system. The 2018 Internal Control Self-evaluation Report truthfully and objectively reflects the establishment, implementation and improvement of the Company's internal control system. There are no significant or important problems in the financial and non-financial reports in the report period.

#### 2. Meetings and resolutions of the supervisory meeting in the report period:

Four meetings were held in 2018, all of which are on-site meetings. All proposal were approved and disclosed as required:

No.	Meeting	Date	Convening method	Topic
1	5 <sup>th</sup> meeting of the 8 <sup>th</sup> Supervisory Committee	20.04.18	On-site	1. Review the work report of the 2017 Supervisory Committee of the Company; 2. Review the full text and abstract of the 2017 annual report of the company; 3. Review the full text and text of the first quarterly report of the Company in 2018; 4. Review the 2017 financial statements of the company; 5. To consider the proposal of the Company regarding the profit distribution for 2017; 6. To consider the proposal of the company to hire an audit institution in 2018; 7. Review the 2017 internal control self-evaluation report of the

				company;8. Review the special report on the deposit and use of the raised funds of the company in 2017;9. Review the proposal of the company regarding changes in accounting policies.
2	6 <sup>th</sup> meeting of the 8 <sup>th</sup> Supervisory Committee	03.08.18	On-site	2018 Interim Report and the Summary of the Company
3	7 <sup>th</sup> meeting of the 8 <sup>th</sup> Supervisory Committee	17.10.18	On-site	2018 Q3 Report and text;
4	8 <sup>th</sup> meeting of the 8 <sup>th</sup> Supervisory Committee	28.12.18	On-site	Elect the convenor of the 8 <sup>th</sup> Supervisory Committee of the Company.

## VIII. Assessment and motivation of senior executives

The Company has implemented a remuneration system that combines post wage and performance bonus. The wages and bonus are determined by on the assessment of senior executives' innovation capabilities, general quality, performance, fulfillment of profit and payment collection targets according to the Company's annual performance assess and performance assess implementation methods for wholly-owned subsidiaries.

## IX. Internal control

### 1. Major problems in internal control discovered in the report period

☐ Yes ☒ No

### 2. Internal control self-evaluation report

Date of disclosure of the internal control evaluation report	30.01.19
Disclosure of the internal control evaluation report	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Percentage of assets in the evaluation scope in the total assets in the consolidated	95.46%



financial statements		
Percentage of operation income in the evaluation scope in the total operation income in the consolidated financial statements	99.24%	
Standard		
Type	Financial report	Non-financial report
Standard	<p>1. The following problems are considered major problems: 1. Non-effective control environment; 2. corrupt practice by directors, supervisor and senior management, causing substantial loss and impacts for the Company; 3. Substantial mistakes in the financial statements in the period discovered by the CPA, which are not discovered by the internal control; 4. Ineffective supervision of the internal control by the Company's auditing department</p> <p>2. The following problems are considered significant problems: 1 accounting policies are selected and used without complying to widely accepted accounting standards; 2. No anti-corrupt and important balance system and control measures are taken; 3. Separate or multiple problems in the preparation of financial reports, which are serious enough to affecting the truthfulness and accuracy of the reports; no control system is established and no related compensation system is implemented for accounts of irregular or special transactions</p> <p>3. Other problems are considered normal problems.</p>	<p>I. The following condition indicates significant problems in the internal control of non-financial reports: 1. Serious violation against national laws, regulations or specifications; 2. Serious business system problems and system ineffectiveness; 3. Major or important problems cannot be corrected; 4. Lack of internal control and poor management; 5. Loss of management personnel or key employees; 6. Safety and environmental accidents that cause major adverse impacts; 7. Other situations that cause major adverse impacts on the Company.</p> <p>II. The following situations indicate that there may be significant problems with the internal control: 1. business system problems and system ineffectiveness; 2. Major or important problems cannot be corrected; 3. Other situations that cause major adverse impacts on the Company</p> <p>III. The following situation indicate likely normal problems in the internal control: 1. Problems in the general business system; 2. Normal problems in the internal control supervision cannot be correctly promptly.</p>
Standard	<p>1. Significant problem: 1 mistakes affecting 5% and more of the pre-tax profit and more than RMB5 million in the consolidated statements; 2. Mistakes affecting 5% and more of the consolidated assets and more than RMB5 million</p> <p>2. Important problem: 1. Mistakes affecting 1%-5% of the pre-tax profit in the consolidated statements; 2. Mistakes affecting 1%-5% the consolidated</p>	See the recognition standard of the internal control problems for financial statements

	assets.III. Normal problem: 1. Mistakes affecting less than 1% of the pre-tax profit and total assets of the consolidate statements.	
Significant problems in financial statements	0	
Significant problems in non-financial statements	0	
Important problems in financial statements	0	
Important problems in non-financial statements	0	

## X. Internal control audit report

☒ Applicable ☐ Inapplicable

Comments in the internal control audit report	
We believe that China Fangda Group has maintained effective internal control on financial reports according to Basic Regulations on Enterprise Internal Control and related regulations on 31.12.18.	
Disclosure of internal auditor's report	Disclosed
Date of disclosure of the internal control audit report	30.01.19
Source of disclosure of the internal control audit report	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Opinion type	Standard opinion auditor's report
Problems in non-financial statements	No

Non-standard internal control audit report by the CFA

☐ Yes ☒ No

Consistency between the internal control audit report and self-evaluation report

☒ Yes ☐ No

## **Chapter X. Information about the Company's Securities**

Bonds publicly issued and listed in a securities exchange, immature or not fully paid by the approval date of the annual report

## Chapter XI Financial Statements

### I. Auditor's report

Type	Standard opinion auditor's report
Issued on	28.01.19
Auditor	Grant Thornton (limited liability partnership)
Report No.	Grant Thornton (2019) No.350ZA0156
CPA names	Chen Zhaoxin, Zeng Hui

Auditors' Report



Grant Thornton  
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### Auditor's Report

Grant Thornton (2019) No.350ZA0156

### To the shareholders of China Fangda Group Co., Ltd.:

#### 1. Auditors' Opinions

We have audited the Financial Statements of China Fangda Group Co., Ltd. ("Fangda Group") attached hereafter, including the Balance Sheet and Consolidated Balance Sheet ended 31.12.18 and the Income Statement, Consolidated Income Statement, Cash Flow Statement, Consolidated Cash Flow Statement, Statement on Change of Shareholders' Equity, Consolidated Statement on Change of Shareholders' Equity of the year 2018, as well as the Notes to the Financial Statements.

We believe that Fangda Group has been following with the Enterprise Accounting Standard in preparing of the Financial Statements. The Financial Statements is reflecting, in all important aspects, the financial situation of Fangda Group as of 31.12.18, and the business performance and cash flow of year 2018.

#### 2. Basis of the Opinions

We carried out the auditing works with compliance to Chinese CPA Auditing Standard, The "CPA's Responsibility for Auditing Financial Statements" section of the audit report further elaborated our responsibilities under these guidelines. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of Fangda Group and perform other professional ethics duties. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### 3. Key Audit Matters

The key audit matters are the matters that we believe are most important for the audit of the

current financial statements based on professional judgment. The response to these matters is based on the overall audit of the financial statements and the formation of an audit opinion. We do not comment on these matters separately.

(1) Income recognition

For related information disclosure, please refer to Note III, 25, Note III, 30(3), Note V, 34 and Note XIII 2 of the financial statements.

1. Description

In 2018, China Fangda Group's operating income was RMB3.049 billion of which construction contract revenue accounted for 68.32% of the group's total revenue.

Fangda Group confirms revenue for the construction services provided by the construction according to the percentage of completion method when the results of the construction contract can be reliably estimated. Management needs to make a reasonable estimate of the initial total contract revenue and total contract costs for the construction contract and continue to assess and revise it during the contract implementation process, which involves significant accounting estimates of the management.

Therefore, we identify construction contracts revenue recognition as key audit matters.

2. Audit response

Our audit procedures for the implementation of revenue recognition for construction contracts mainly include:

(1) Understand and evaluate the design of internal control related to management contract and construction contract budget and revenue recognition, and test the effectiveness of key control implementation.

(2) Obtained a major construction contract, verified the contract revenue, and reviewed key contract terms. Check the construction contract and cost budget information on which management expects total revenue and estimated total cost.

(3) Obtain a construction contract ledger and project income cost summary table, perform an analytical review of the project gross profit, and recalculate the construction contract completion percentage and income in the construction contract to verify its accuracy.

(4) Select samples to check the project engineering details of the main project, subcontracted labor approval forms, and the owner's production value approval documents and records to verify the contract costs incurred.

(5) Select samples to check if the relevant contract costs are recorded in the appropriate accounting period.

(6) Select a sample to conduct a site inspection of the progress of the project image to verify the reasonableness of the project's completion schedule.

(2) Measurement of fair value of investment real estate

For related information disclosure, please refer to Note III, 15, Note III, 30(1), Note V, 9 (2), 43 and Note IX 2 of the financial statements.

1. Description

As of 31.12.18, the carrying amount of investment real estate subsequently measured in the consolidated financial statements using the fair value model was RMB5.231 billion, accounting

49.08% of the total assets, and the gains from changes in fair value realized in the current period were RMB2.917 billion, with a greater impact on the Group's consolidated statements.

The management of Fangda Group annually employs a third-party assessment agency with relevant qualifications to evaluate the fair value of the investment real estate. The evaluation adopts the comparison method and the income method to comprehensively analyze various factors that affect the real estate price of the appraisal subject. The assessment of the fair value of investment real estate involves many estimates and assumptions, such as the analysis of the economic environment and future trends of the real estate where the investment real estate is located, discount rates, etc. The changes in estimates and assumptions will have big impacts on the fair value of the investment real estate evaluated. Therefore, we identify the measurement of fair value of investment real estate as a key audit matter.

## 2. Audit response

Our audit procedures for the measurement of fair value of investment real estate mainly include:

(1) Assess the competency, professional quality, independence and objectivity of third-party assessment agencies employed by the management.

(2) Obtain the assessment report, selected major or typical samples, and use our real estate appraisal experts to review and review the assessment methods and assumptions used in the assessment report and the rationality of the selected key assessment parameters. Check the accuracy and relevance of the data used by the management in valuation.

(3) Review the measurement, presentation and disclosure of fair value of investment real estate in the financial statements.

## (3) Provision of bad debt of account receivable

For details of the disclosure of relevant information please refer to Note III 11 and Note V 2 of the notes to the financial statements.

## 1. Description

As stated in Note III 11 and Note V 2 of the financial statements as of December 31 2018, the balance of accounts receivable of the Company was RMB2.286 billion and the provision for bad debts was RMB366 million. The book value as a percentage of total assets was 21.45%. Due to the significant amount of accounts receivable of Fangda Group, the management needs to use important accounting estimates and judgments when determining the estimated recoverable amount of accounts receivable. If the accounts receivable cannot be recovered on time or cannot be recovered the impact on the financial statements is relatively high. Therefore we determined the accuracy of the provision for bad debts of accounts receivable as a key audit matter.

## 2. Audit response

(1) Understand and evaluate the effectiveness of relevant internal control design for the provision of bad debts of Fangda Group and accounts receivable and test the effectiveness of key control operations.

(2) Based on the Company's industry characteristics and actual business conditions, the management's standard for the significant amount of individual accounts receivable is evaluated and the basis for the combination and the proportion of impairment based on the age of the accounts are appropriate.

(3) Review the management's accrual process for the provision for impairment of receivables

including: (1) for accounts receivable with impairment provision prepared by aging analysis method, obtain the aging analysis form of accounts receivable prepared by management and bad debts provision form, select the sample to check the accuracy of the ageing division of the accounts receivable and calculate the accuracy of the calculation of the bad debt provision; (2) for the accounts receivable for the provision for impairment provision review the management test process, the accuracy and reasonableness of the information and related assumptions are checked for the appropriateness of the provision for impairment of accounts receivable with long-term accounts receivable.

#### **4. Other information**

The management of Fangda Group (hereinafter referred to as management) is responsible for other information. The other information includes the information covered in Fangda Group's 2018 annual report, but does not include the financial statements and our audit report.

Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assurance conclusion on other information.

In connection with our audit of the financial statements, our responsibility is to read other information. In the process, we consider whether there is a material inconsistency or other material misstatement of other information whether it is in the financial statements or what we have learned during the audit process.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report.

#### **5. Executives' responsibilities on the Financial Statements**

(1) Preparing these financial statements according to the *Accounting Standards for Business Enterprises* and presenting them fairly; (2) designing, implementing and maintaining necessary internal control to make sure that these financial statements are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, the management is responsible for assessing Fangda Group's ability to continue as a going concern, disclosing issues related to going concern (if applicable), and applying the going concern assumption unless management plans to liquidate Fangda Group, terminate operations or there are no other realistic choices.

The management is responsible for overseeing the financial reporting process of Fangda Group.

#### **6. Auditor's responsibility for auditing financial statements**

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to fraud or error and to issue an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with auditing standards can always be discovered when a major misstatement exists. The report may be due to fraud or mistakes, and if a reasonable expectation of misstatement alone or aggregated may affect the economic decision-making made by users of financial statements based on the financial statements, the misstatement is generally considered to be material.

In the process of conducting audit work in accordance with auditing standards, we use

professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

(1) Identify and assess risks of material misstatement of financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for issuing audit opinions. Since fraud may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement due to an error.

(2) Understand audit-related internal controls to design appropriate audit procedures.

(3) Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures.

(4) Conclude on the appropriateness of management's use of continuing operations assumptions. At the same time, based on the audit evidence obtained, it concludes that whether there are major uncertainties in the matters or circumstances that may cause major doubts about the ability of the Company's continuing operations. If we conclude that there are significant uncertainties, the auditing standards require us to request the users of the report to pay attention to the relevant disclosures in the financial statements in the audit report; if the disclosure is not sufficient, we should publish non-unqualified opinions. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may result in Fangda Group's inability to continue operating.

(5) Evaluate the overall presentation, structure, and content (including disclosure) of the financial statements and evaluate whether the financial statements fairly reflect the relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence on the financial information of entity or business activities in Fangda Group to express opinions on the financial statements. We are responsible for directing, supervising and executing group audits and assume full responsibility for audit opinions.

We communicate with the governance team on planned audit scope, timing, and major audit findings, including communication of the internal control deficiencies that we identified during the audit.

We also provide a statement to the management on compliance with ethical requirements related to independence, and communicate with the management on all relationships and other matters that may reasonably be considered to affect our independence, as well as related preventive measures (if applicable).

From the matters passed with the management, we determine which items are most important for the audit of the financial statements of the current period and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating something in the audit report will outweigh the benefits in the public interest, we determine that such matter should not be communicated in the audit report.



Grand Thornton CPA  
(limited liability partnership)

CPA China  
(project partner) Chen Zhaoxin

CPA China

Zeng Hui

Beijing, China

January 28, 2019

## II. Financial statements

Unit for statements in notes to financial statements: RMB yuan

### 1. Consolidated Balance Sheet

Prepared by: China Fangda Group Co., Ltd.

31.12.18

In RMB

Item	Closing balance	Opening balance
Current asset:		
Monetary capital	1,389,062,083.76	1,180,398,479.51
Settlement provision		
Outgoing call loan		
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Receivable note and accounts receivable	2,060,214,724.69	1,960,008,863.36
Including: receivable notes	140,139,692.84	39,636,437.20
Account receivable	1,920,075,031.85	1,920,372,426.16
Prepayment	46,454,844.74	54,680,269.84
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		

Other receivables	139,990,188.26	60,904,672.69
Including: interest receivable		3,829,315.07
Dividend receivable		
Repurchasing of financial assets		
Inventory	651,405,832.29	819,610,960.67
Assets held for sales		
Non-current assets due in 1 year		
Other current assets	51,698,111.14	439,890,493.06
Total current assets	4,338,825,784.88	4,515,493,739.13
Non-current assets:		
Loan and advancement provided		
Sellable financial assets	21,674,008.23	28,562,575.67
Investment held until mature		
Long-term receivable		
Long-term share equity investment	70,105,657.88	34,142,055.62
Investment real estate	5,256,442,406.63	2,253,794,404.55
Fixed assets	455,274,241.83	468,118,279.18
Construction in process	58,269,452.72	2,668,198.62
Productive biological assets		
Gas & petrol		
Intangible assets	80,313,240.67	58,869,444.53
R&D expense		
Goodwill		
Long-term amortizable expenses	2,114,331.46	2,046,202.29
Deferred income tax assets	356,474,925.76	230,597,590.58
Other non-current assets	19,360,083.67	31,130,198.46
Total of non-current assets	6,320,028,348.85	3,109,928,949.50
Total of assets	10,658,854,133.73	7,625,422,688.63
Current liabilities		
Short-term loans	208,000,000.00	616,000,000.00
Loans from Central Bank		
Deposit received and held for others		
Call loan received		
Financial liabilities measured at fair value with variations accounted into		

current income account		
Derivative financial liabilities	1,625,725.00	159,000.00
Payable notes and accounts	1,547,495,316.83	1,479,313,284.40
Prepayment received	278,577,848.54	175,351,686.45
Selling of repurchased financial assets		
Fees and commissions payable		
Employees' wage payable	44,513,062.17	40,399,130.75
Taxes payable	107,709,999.19	136,955,516.44
Other payables	813,118,699.84	503,614,822.66
Including: interest payable	2,098,971.44	2,425,311.97
Dividend payable		
Reinsurance fee payable		
Insurance contract provision		
Entrusted trading of securities		
Entrusted selling of securities		
Liabilities held for sales		
Non-current liabilities due in 1 year	200,000,000.00	200,000,000.00
Other current liabilities	9,328,682.25	9,531,014.81
Total current liabilities	3,210,369,333.82	3,161,324,455.51
Non-current liabilities:		
Long-term loans	1,193,978,153.39	893,978,153.39
Bond payable		
Including: preferred stock		
Perpetual bond		
Long-term payable		
Long-term employees' wage payable		
Anticipated liabilities	6,831,162.99	6,368,353.05
Deferred earning	10,401,161.30	10,489,483.94
Deferred income tax liabilities	1,042,086,700.35	314,323,040.56
Other non-current liabilities		
Total of non-current liabilities	2,253,297,178.03	1,225,159,030.94
Total liabilities	5,463,666,511.85	4,386,483,486.45
Owner's equity:		
Share capital	1,155,481,686.00	1,183,642,254.00

Other equity tools		
Including: preferred stock		
Perpetual bond		
Capital reserves	1,454,191.59	72,829,484.96
Less: Shares in stock	10,831,437.66	
Other miscellaneous income	7,382,087.59	8,585,847.99
Special reserves		
Surplus reserves	120,475,221.40	110,690,396.65
Common risk provisions		
Retained profit	3,921,225,872.96	1,863,191,218.58
Total of owner's equity belong to the parent company	5,195,187,621.88	3,238,939,202.18
Minor shareholders' equity		
Total of owners' equity	5,195,187,621.88	3,238,939,202.18
Total of liabilities and owner's interest	10,658,854,133.73	7,625,422,688.63

Legal representative: XiongJianming      CFO: Lin Keping      Accounting Manager: Wu Bohua

Note 1: The "Notes receivable and accounts receivable" line item reflects the amount that should be collected by the enterprise for operating activities such as selling goods and providing services and the commercial drafts received including bank acceptance measured at amortized cost on the balance sheet date and bills of exchange and commercial acceptance bills. The item should be based on the ending balance of the "Announceable Notes" and "Accounts Receivable" accounts less the amount of the relevant bad debt provision ending balance in the "bad debt provision" account.

2. The "other receivables" line item should be filled in based on the total balance of "end of interest" "dividends receivable" and "other receivables" less the balance of bad debt provision in the "bad debt provision" account.

3. The "under construction" line item reflects the closing book value of the construction in progress and the final book value of the various materials prepared by the enterprise for the construction in progress. The item be filled in based on the closing balance of the "construction in progress" less the amount after the closing balance of the "depreciation reserve for construction in progress" account and the ending balance of the "engineering materials" less the "depreciation reserve for engineering materials".

4. The "Notes payable and accounts payable" line item reflects the amount payable by the enterprise on the balance sheet date for the purchase of materials commodities and services and the commercial drafts issued and accepted including bank acceptance bills and commercial acceptance bills. The item should be filled in based on the closing balance of the "Payables Payables" account and the total balance of the ending credit balances of the relevant detailed accounts to which the "Accounts Payable" and "Prepaid Accounts" accounts belong.

5. The "Other Payables" line item should be filled in based on the total closing balance of the "Payable Interests" "Dividends Payable" and "Other Payables" accounts.

6. The "Long-term Payables" line item reflects the ending book value of various long-term payables other than long-term borrowings and bonds payable by the company on the balance sheet date. The project should be filled in based on the closing balance of the "Long-term Payables" account less the closing balance of the relevant "Unrecognized Financing Expenses" account and the closing balance of the "Special Payables" account.

## 2. Balance Sheet of the Parent Company

In RMB

Item	Closing balance	Opening balance
Current asset:		
Monetary capital	410,118,157.55	310,299,329.68
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Receivable note and accounts receivable	200,471,039.12	408,154.54
Including: receivable notes	200,000,000.00	
Account receivable	471,039.12	408,154.54
Prepayment	6,733,047.16	349,740.31
Other receivables	822,543,653.04	823,793,780.45
Including: interest receivable		1,020,000.00
Dividend receivable	100,000,000.00	150,000,000.00
Inventory		
Assets held for sales		
Non-current assets due in 1 year		
Other current assets	919,388.18	100,176,058.36
Total current assets	1,440,785,285.05	1,235,027,063.34
Non-current assets:		
Sellable financial assets	21,674,008.23	28,562,575.67
Investment held until mature		
Long-term receivable		
Long-term share equity investment	983,339,494.35	925,349,494.35
Investment real estate	309,189,866.37	307,321,568.00
Fixed assets	53,784,811.23	55,816,611.77
Construction in process		
Productive biological assets		
Gas & petrol		
Intangible assets	2,112,301.97	2,293,133.59
R&D expense		

Goodwill		
Long-term amortizable expenses	917,499.68	460,000.00
Deferred income tax assets	34,555,598.81	23,409,576.18
Other non-current assets		
Total of non-current assets	1,405,573,580.64	1,343,212,959.56
Total of assets	2,846,358,865.69	2,578,240,022.90
Current liabilities		
Short-term loans	200,000,000.00	250,000,000.00
Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Payable notes and accounts	676,941.85	606,941.85
Prepayment received	733,274.16	721,888.86
Employees' wage payable	2,145,763.39	2,151,237.91
Taxes payable	341,004.65	11,721,681.36
Other payables	300,006,406.51	287,972,808.37
Including: interest payable	740,208.33	365,520.83
Dividend payable		
Liabilities held for sales		
Non-current liabilities due in 1 year		
Other current liabilities		
Total current liabilities	503,903,390.56	553,174,558.35
Non-current liabilities:		
Long-term loans	500,000,000.00	
Bond payable		
Including: preferred stock		
Perpetual bond		
Long-term payable		
Long-term employees' wage payable		
Anticipated liabilities		
Deferred earning		
Deferred income tax liabilities	64,130,617.41	63,864,007.22
Other non-current liabilities		
Total of non-current liabilities	564,130,617.41	63,864,007.22

Total liabilities	1,068,034,007.97	617,038,565.57
Owner's equity:		
Share capital	1,155,481,686.00	1,183,642,254.00
Other equity tools		
Including: preferred stock		
Perpetual bond		
Capital reserves	360,835.52	71,736,128.89
Less: Shares in stock	10,831,437.66	
Other miscellaneous income	8,756,553.46	8,756,553.46
Special reserves		
Surplus reserves	120,475,221.40	110,690,396.65
Retained profit	504,081,999.00	586,376,124.33
Total of owners' equity	1,778,324,857.72	1,961,201,457.33
Total of liabilities and owner's interest	2,846,358,865.69	2,578,240,022.90

Note 1: The "Notes receivable and accounts receivable" line item reflects the amount that should be collected by the enterprise for operating activities such as selling goods and providing services and the commercial drafts received including bank acceptance measured at amortized cost on the balance sheet date and bills of exchange and commercial acceptance bills. The item should be based on the ending balance of the "Announceable Notes" and "Accounts Receivable" accounts less the amount of the relevant bad debt provision ending balance in the "bad debt provision" account.

2. The "other receivables" line item should be filled in based on the total balance of "end of interest" "dividends receivable" and "other receivables" less the balance of bad debt provision in the "bad debt provision" account.

3. The "under construction" line item reflects the closing book value of the construction in progress and the final book value of the various materials prepared by the enterprise for the construction in progress. The item be filled in based on the closing balance of the "construction in progress" less the amount after the closing balance of the "depreciation reserve for construction in progress" account and the ending balance of the "engineering materials" less the "depreciation reserve for engineering materials".

4. The "Notes payable and accounts payable" line item reflects the amount payable by the enterprise on the balance sheet date for the purchase of materials commodities and services and the commercial drafts issued and accepted including bank acceptance bills and commercial acceptance bills. The item should be filled in based on the closing balance of the "Payables Payables" account and the total balance of the ending credit balances of the relevant detailed accounts to which the "Accounts Payable" and "Prepaid Accounts" accounts belong.

5. The "Other Payables" line item should be filled in based on the total closing balance of the "Payable Interests" "Dividends Payable" and "Other Payables" accounts.

6. The "Long-term Payables" line item reflects the ending book value of various long-term payables other than long-term borrowings and bonds payable by the company on the balance sheet date. The project should be filled in based on the closing balance of the "Long-term Payables" account less the closing balance of the relevant "Unrecognized Financing Expenses" account and the closing balance of the "Special Payables" account.

### 3. Consolidated Income Statement

In RMB

Item	Amount occurred in the current period	Occurred in previous period
1. Total revenue	3,048,680,152.06	2,947,470,813.58
Incl. Business income	3,048,680,152.06	2,947,470,813.58
Interest income		
Insurance fee earned		
Fee and commission received		
2. Total business cost	3,022,515,653.66	2,529,847,562.87
Incl. Business cost	2,337,948,010.42	1,998,238,889.21
Interest expense		
Fee and commission paid		
Insurance discharge payment		
Net claim amount paid		
Net insurance policy reserves provided		
Insurance policy dividend paid		
Reinsurance expenses		
Taxes and surcharges	152,681,927.79	191,789,929.01
Sales expense	49,833,945.89	61,063,948.40
Administrative expense	140,002,624.79	134,819,477.53
R&D cost	19,854,244.58	17,997,202.77
Financial expenses	82,328,388.89	67,058,846.06
Including: interest cost	75,934,358.74	66,942,527.90
Interest income	9,255,120.60	7,781,596.28
Asset impairment loss	239,866,511.30	58,879,269.89
Add: other gains	5,681,937.15	6,582,481.58
Investment gains ("-" for loss)	27,776,084.43	102,891,113.42
Incl. Investment gains from affiliates and joint ventures	-836,397.74	-2,162,975.06
Gains from change of fair value ("-" for loss)	2,913,858,560.57	892,408,648.26
Exchange gains ("-" for loss)		
Investment gains ("-" for loss)	-3,516,357.91	5,027,717.19
3. Operational profit ("-" for loss)	2,969,964,722.64	1,424,533,211.16



Plus: non-operational income	3,712,594.09	8,382,787.23
Less: non-operational expenditure	3,846,202.80	8,073,399.54
4. Gross profit ("-" for loss)	2,969,831,113.93	1,424,842,598.85
Less: Income tax expenses	723,666,542.25	273,795,377.34
5. Net profit ("-" for net loss)	2,246,164,571.68	1,151,047,221.51
(1) Net profit from continuous operation ("-" for net loss)	2,246,384,786.08	1,128,300,551.18
(2) Net profit from discontinuous operation ("-" for net loss)	-220,214.40	22,746,670.33
Net profit attributable to the owners of parent company	2,246,164,571.68	1,144,404,441.03
Minor shareholders' equity		6,642,780.48
6. After-tax net amount of other misc. incomes	-1,203,760.40	6,455,393.47
After-tax net amount of other misc. incomes attributed to parent's owner	-1,203,760.40	6,455,393.47
(1) Other misc. incomes that cannot be re-classified into gain and loss		
1. Re-measure the change in the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
(2) Other misc. incomes that will be re-classified into gain and loss	-1,203,760.40	6,455,393.47
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Change in the fair value of financial asset for sale		
3 Held-to-mature investment reclassified as gain and loss in the financial assets for sales		
4. Effective part in the gain and loss of arbitrage of cash flow	-1,170,896.25	-1,959,992.79
5. Translation difference of foreign exchange statement	-32,864.15	-249,335.57

6. Others		8,664,721.83
After-tax net of other misc. income attributed to minority shareholders		
7. Total of misc. incomes	2,244,960,811.28	1,157,502,614.98
Total of misc. incomes attributable to the owners of the parent company	2,244,960,811.28	1,150,859,834.50
Total misc gains attributable to the minor shareholders		6,642,780.48
8. Earnings per share:		
(1) Basic earnings per share	1.91	0.97
(2) Diluted earnings per share	1.91	0.97

Net profit contributed by entities merged under common control in the report period was RMB , net profit realized by parties merged during the previous period is RMB .

Legal representative: XiongJianming CFO: Lin Keping Accounting Manager: Wu Bohua

Note: 1. Financial expenses related to financial business need to separately list exchange income items.

2. The "R&D Expenses" line item reflects the expenses incurred by the company in the research and development process. The project should be based on an analysis of the amount of the "R&D Expenses" detail account under the "Management Expenses" section.

#### 4. Income Statement of the Parent Company

In RMB

Item	Amount occurred in the current period	Occurred in previous period
1. Turnover	30,830,762.76	29,333,583.31
Less: Operation cost	1,604,559.26	2,041,826.84
Taxes and surcharges	1,342,603.83	1,329,711.99
Sales expense		
Administrative expense	24,395,947.11	26,156,987.68
R&D cost		
Financial expenses	25,450,212.15	-508,902.33
Including: interest cost	23,822,633.36	7,737,441.67
Interest income	2,758,152.15	8,560,615.95
Asset impairment loss	7,597,228.84	-39,145,789.67
Add: other gains	368,589.30	819,420.96
Investment gains ("-" for loss)	124,133,997.29	158,138,502.44
Incl. Investment gains from		-2,142,252.28

affiliates and joint ventures		
Gains from change of fair value ("-" for loss)	1,868,298.37	1,820,847.37
Investment gains ("-" for loss)	-55,902.90	-3,913.82
2. Operational profit ("-" for loss)	96,755,193.63	200,234,605.75
Plus: non-operational income	42,961.77	3,065,841.55
Less: non-operational expenditure	506,232.62	3,164,398.33
3. Gross profit ("-" for loss)	96,291,922.78	200,136,048.97
Less: Income tax expenses	-9,543,869.19	-18,370,012.57
4. Net profit ("-" for net loss)	105,835,791.97	218,506,061.54
(1) Net profit from continuous operation ("-" for net loss)	105,835,791.97	218,506,061.54
(2) Net profit from discontinuous operation ("-" for net loss)		
5. After-tax net amount of other misc. incomes		8,664,721.83
(1) Other misc. incomes that cannot be re-classified into gain and loss		
1. Re-measure the change in the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
(2) Other misc. incomes that will be re-classified into gain and loss		8,664,721.83
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Change in the fair value of financial asset for sale		
3 Held-to-mature investment reclassified as gain and loss in the financial assets for sales		
4. Effective part in the gain and loss of arbitrage of cash flow		
5. Translation difference of foreign exchange statement		

6. Others		8,664,721.83
6. Total of misc. incomes	105,835,791.97	227,170,783.37
7. Earnings per share:		
(1) Basic earnings per share		
(2) Diluted earnings per share		

Note: The "R&D Expenses" line item reflects the expenses incurred by the company in the research and development process. The project should be based on an analysis of the amount of the "R&D Expenses" detail account under the "Management Expenses" section.

## 5. Consolidated Cash Flow Statement

In RMB

Item	Amount occurred in the current period	Occurred in previous period
1. Net cash flow from business operations:		
Cash received from sales of products and providing of services	2,865,682,841.59	3,418,351,614.70
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		
Increase in proposal of financial assets measured at fair value with variations accounted into current income account		
Cash received as interest, processing fee, and commission		
Net increase of inter-bank fund received		
Net increase of repurchasing business		

Tax refunded	1,647,970.72	3,804,545.99
Other cash received from business operation	107,059,575.17	127,738,857.46
Sub-total of cash inflow from business operations	2,974,390,387.48	3,549,895,018.15
Cash paid for purchasing products and services	1,671,518,745.27	2,001,850,190.24
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 and for the staff	274,922,323.91	253,752,112.76
Taxes paid	301,712,580.53	474,915,595.80
Other cash paid for business activities	339,134,018.20	261,543,973.62
Sub-total of cash outflow from business operations	2,587,287,667.91	2,992,061,872.42
Cash flow generated by business operations, net	387,102,719.57	557,833,145.73
2. Cash flow generated by investment:		
Cash received from investment recovery	7,573,967,278.99	11,062,067,410.96
Cash received as investment profit	86,864,507.03	135,457,226.80
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	17,886,076.00	15,664,032.91
Net cash received from disposal of subsidiaries or other operational units		488,779.75
Other investment-related cash received		
Sub-total of cash inflow generated from investment	7,678,717,862.02	11,213,677,450.42
Cash paid for construction of fixed	199,604,502.80	39,773,885.41

assets, intangible assets and other long-term assets		
Cash paid as investment	7,271,417,092.50	11,563,042,000.00
Net increase of loan against pledge		
Net cash paid for acquiring subsidiaries and other operational units		
Other cash paid for investment		
Subtotal of cash outflows	7,471,021,595.30	11,602,815,885.41
Cash flow generated by investment activities, net	207,696,266.72	-389,138,434.99
3. Cash flow generated by financing activities:		
Cash received from investment		
Incl. Cash received from investment attracted by subsidiaries from minority shareholders		
Cash received from borrowed loans	708,000,000.00	978,503,029.59
Cash received from bond placing		
Other cash received from financing activities		
Subtotal of cash inflow from financing activities	708,000,000.00	978,503,029.59
Cash paid to repay debts	816,000,000.00	790,000,000.00
Cash paid as dividend, profit, or interests	264,157,464.17	359,248,335.73
Incl. Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing activities	199,439,589.23	
Subtotal of cash outflow from financing activities	1,279,597,053.40	1,149,248,335.73
Net cash flow generated by financing activities	-571,597,053.40	-170,745,306.14
4. Influence of exchange rate changes on cash and cash equivalents	1,703,422.24	-2,488,444.45
5. Net increase in cash and cash equivalents	24,905,355.13	-4,539,039.85

Plus: Balance of cash and cash equivalents at the beginning of term	931,285,535.55	935,824,575.40
6. Balance of cash and cash equivalents at the end of the period	956,190,890.68	931,285,535.55

## 6. Cash Flow Statement of the Parent Company

In RMB

Item	Amount occurred in the current period	Occurred in previous period
1. Net cash flow from business operations:		
Cash received from sales of products and providing of services	26,555,743.34	26,119,015.91
Tax refunded		
Other cash received from business operation	1,976,545,022.66	1,250,545,372.09
Sub-total of cash inflow from business operations	2,003,100,766.00	1,276,664,388.00
Cash paid for purchasing products and services	2,060,345.12	36,569,179.86
Cash paid to and for the staff	15,053,325.83	16,683,356.55
Taxes paid	15,944,462.51	2,804,616.75
Other cash paid for business activities	2,263,461,863.27	1,184,826,856.40
Sub-total of cash outflow from business operations	2,296,519,996.73	1,240,884,009.56
Cash flow generated by business operations, net	-293,419,230.73	35,780,378.44
2. Cash flow generated by investment:		
Cash received from investment recovery	2,646,355,978.40	3,757,868,645.34
Cash received as investment profit	197,678,018.89	514,225,411.35
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash	10,000,000.00	

received		
Sub-total of cash inflow generated from investment	2,854,033,997.29	4,272,094,056.69
Cash paid for construction of fixed assets, intangible assets and other long-term assets	1,125,745.40	1,850,897.55
Cash paid as investment	2,626,870,000.00	3,846,012,000.00
Net cash paid for acquiring subsidiaries and other operational units		
Other cash paid for investment		
Subtotal of cash outflows	2,627,995,745.40	3,847,862,897.55
Cash flow generated by investment activities, net	226,038,251.89	424,231,159.14
3. Cash flow generated by financing activities:		
Cash received from investment		
Cash received from borrowed loans	700,000,000.00	250,000,000.00
Cash received from bond placing		
Other cash received from financing activities		
Subtotal of cash inflow from financing activities	700,000,000.00	250,000,000.00
Cash paid to repay debts	250,000,000.00	190,000,000.00
Cash paid as dividend, profit, or interests	211,344,710.76	284,121,945.63
Other cash paid for financing activities	199,439,589.23	
Subtotal of cash outflow from financing activities	660,784,299.99	474,121,945.63
Net cash flow generated by financing activities	39,215,700.01	-224,121,945.63
4. Influence of exchange rate changes on cash and cash equivalents	-289,429.05	4.86
5. Net increase in cash and cash equivalents	-28,454,707.88	235,889,596.81
Plus: Balance of cash and cash equivalents at the beginning of term	310,049,329.68	74,159,732.87



6. Balance of cash and cash equivalents at the end of the period	281,594,621.80	310,049,329.68
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## 7. Statement of Change in Owners' Equity (Consolidated)

Amount of the Current Term

In RMB

Item	Current period												
	Owners' Equity Attributable to the Parent Company											Minor shareho lders' equity	Total of owners' equity
	Share capital	Other equity tools			Capital reserves	Less: Shares in stock	Other miscella neous income	Special reserves	Surplus reserves	Commo n risk provisio ns	Retaine d profit		
		Prefer red share	Perpet ual bond	Other s									
1. Balance at the end of last year	1,183,642,254.00				72,829,484.96		8,585,847.99		110,690,396.65		1,863,191,218.58		3,238,939,202.18
Plus: Changes in accounting policies													
Correction of previous errors													
Consolidation of entities under common control													
Others													
2. Balance at the beginning of current year	1,183,642,254.00				72,829,484.96		8,585,847.99		110,690,396.65		1,863,191,218.58		3,238,939,202.18
3. Amount of change in current term ("–" for decrease)	-28,160,568.00				-71,375,293.37	10,831,437.66	-1,203,760.40		9,784,824.75		2,058,034,654.38		1,956,248,419.70
(1) Total of misc. incomes							-1,203,760.40				2,246,164,571.68		2,244,960,811.28
(2) Investment or decreasing of	-28,160,568.00				-71,375,293.37	10,831,437.66			-798,754.45				-111,166,053.40

capital by owners	00												8
1. Common shares invested by owners	-28,160,568.00				-71,375,293.37	10,831,437.66			-798,754.45				-111,166,053.48
2. Capital contributed by other equity instrument holders													
3. Amount of shares paid and accounted as owners' equity													
4. Others													
(3) Profit allotment									10,583,579.20		-188,129,917.30		-177,546,338.10
1. Providing of surplus reserves									10,583,579.20		-10,583,579.20		
2. Common risk provision													
3. Allotment to the owners (or shareholders)											-177,546,338.10		-177,546,338.10
4. Others													
(4) Internal transferring of owners' equity													
1. Capitalizing of capital reserves (or to capital shares)													
2. Capitalizing of surplus reserves (or to capital shares)													
3. Making up losses by surplus reserves													
4. Retained gain transferred due to change in set													

benefit program													
5. Others													
(5) Special reserves													
1. Provided this year													
2. Used this term													
(6) Others													
4. Balance at the end of this period	1,155,481,686.00				1,454,191.59	10,831,437.66	7,382,087.59		120,475,221.40		3,921,225,872.96		5,195,187,621.88

Amount of the Previous Term

In RMB

Item	Last period												
	Owners' Equity Attributable to the Parent Company											Minor shareho lders' equity	Total of owners' equity
	Share capital	Other equity tools			Capital reserves	Less: Shares in stock	Other miscella neous income	Special reserves	Surplus reserves	Commo n risk provisio ns	Retaine d profit		
		Prefer red share	Perpet ual bond	Other s									
1. Balance at the end of last year	789,094,836.00				467,376,902.96		2,130,454.52		88,839,790.50		1,016,820,576.30	-61,949,210.11	2,302,313,350.17
Plus: Changes in accounting policies													
Correction of previous errors													
Consolidation of entities under common control													
Others													
2. Balance at the beginning of current year	789,094,836.00				467,376,902.96		2,130,454.52		88,839,790.50		1,016,820,576.30	-61,949,210.11	2,302,313,350.17
3. Amount of change in current	394,547,418.				-394,547,418.0		6,455,393.47		21,850,606.15		846,370,642.28	61,949,210.11	936,625,852.01

term (“-“ for decrease)	00				0								
(1) Total of misc. incomes						6,455,393.47					1,144,404,441.03	6,642,780.48	1,157,502,614.98
(2) Investment or decreasing of capital by owners												55,306,429.63	55,306,429.63
1. Common shares invested by owners													
2. Capital contributed by other equity instrument holders													
3. Amount of shares paid and accounted as owners' equity													
4. Others												55,306,429.63	55,306,429.63
(3) Profit allotment								21,850,606.15		-298,033,798.75			-276,183,192.60
1. Providing of surplus reserves								21,850,606.15		-21,850,606.15			
2. Common risk provision													
3. Allotment to the owners (or shareholders)										-276,183,192.60			-276,183,192.60
4. Others													
(4) Internal transferring of owners' equity	394,547,418.00				-394,547,418.00								
1. Capitalizing of capital reserves (or to capital shares)	394,547,418.00				-394,547,418.00								
2. Capitalizing of surplus reserves													

(or to capital shares)													
3. Making up losses by surplus reserves													
4. Retained gain transferred due to change in set benefit program													
5. Others													
(5) Special reserves													
1. Provided this year													
2. Used this term													
(6) Others													
4. Balance at the end of this period	1,183,642,254.00				72,829,484.96		8,585,847.99		110,690,396.65		1,863,191,218.58		3,238,939,202.18

## 8. Statement of Change in Owners' Equity (Parent Company)

Amount of the Current Term

In RMB

Item	Current period										
	Share capital	Other equity tools			Capital reserves	Less: Shares in stock	Other miscellaneous income	Special reserves	Surplus reserves	Retained profit	Total of owners' equity
		Preferred share	Perpetual bond	Others							
1. Balance at the end of last year	1,183,642,254.00				71,736,128.89		8,756,553.46		110,690,396.65	586,376,124.33	1,961,201,457.33
Plus: Changes in accounting policies											
Correction of previous errors											
Others											
2. Balance at the	1,183,642,254.00				71,736,128.89		8,756,553.46		110,690,396.65	586,376,124.33	1,961,201,457.33

beginning of current year	2,254.00				8.89		.46		96.65	,124.33	,457.33
3. Amount of change in current term ("–" for decrease)	-28,160,568.00				-71,375,293.37	10,831,437.66			9,784,824.75	-82,294,125.33	-182,876,599.61
(1) Total of misc. incomes										105,835,791.97	105,835,791.97
(2) Investment or decreasing of capital by owners	-28,160,568.00				-71,375,293.37	10,831,437.66			-798,754.45		-111,166,053.48
1. Common shares invested by owners	-28,160,568.00				-71,375,293.37	10,831,437.66			-798,754.45		-111,166,053.48
2. Capital contributed by other equity instrument holders											
3. Amount of shares paid and accounted as owners' equity											
4. Others											
(3) Profit allotment									10,583,579.20	-188,129,917.30	-177,546,338.10
1. Providing of surplus reserves									10,583,579.20	-10,583,579.20	
2. Allotment to the owners (or shareholders)										-177,546,338.10	-177,546,338.10
3. Others											
(4) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves											

(or to capital shares)											
3. Making up losses by surplus reserves											
4. Retained gain transferred due to change in set benefit program											
5. Others											
(5) Special reserves											
1. Provided this year											
2. Used this term											
(6) Others											
4. Balance at the end of this period	1,155,481,686.00				360,835.52	10,831,437.66	8,756,553.46		120,475,221.40	504,081,999.00	1,778,324,857.72

Amount of the Previous Term

In RMB

Item	Last period										
	Share capital	Other equity tools			Capital reserves	Less: Shares in stock	Other miscellaneous income	Special reserves	Surplus reserves	Retained profit	Total of owners' equity
		Preferred share	Perpetual bond	Others							
1. Balance at the end of last year	789,094,836.00				466,283,546.89		91,831.63		88,839,790.50	665,903,861.54	2,010,213,866.56
Plus: Changes in accounting policies											
Correction of previous errors											
Others											
2. Balance at the beginning of current year	789,094,836.00				466,283,546.89		91,831.63		88,839,790.50	665,903,861.54	2,010,213,866.56
3. Amount of	394,547,				-394,547,		8,664,721		21,850,60	-79,527,	-49,012,4

change in current term ("–" for decrease)	418.00				418.00		.83		6.15	737.21	09.23
(1) Total of misc. incomes							8,664,721.83			218,506,061.54	227,170,783.37
(2) Investment or decreasing of capital by owners											
1. Common shares invested by owners											
2. Capital contributed by other equity instrument holders											
3. Amount of shares paid and accounted as owners' equity											
4. Others											
(3) Profit allotment									21,850,606.15	-298,033,798.75	-276,183,192.60
1. Providing of surplus reserves									21,850,606.15	-21,850,606.15	
2. Allotment to the owners (or shareholders)										-276,183,192.60	-276,183,192.60
3. Others											
(4) Internal transferring of owners' equity	394,547,418.00				-394,547,418.00						
1. Capitalizing of capital reserves (or to capital shares)	394,547,418.00				-394,547,418.00						
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up											



losses by surplus reserves											
4. Retained gain transferred due to change in set benefit program											
5. Others											
(5) Special reserves											
1. Provided this year											
2. Used this term											
(6) Others											
4. Balance at the end of this period	1,183,642,254.00				71,736,128.89		8,756,553.46		110,690,396.65	586,376,124.33	1,961,201,457.33

### III. General Information

China Fangda Group Co., Ltd. (the “Company” or the “Group”) is a joint stock company registered in Shenzhen, Guangdong and was approved by the Government of Shenzhen with Document 深府办函 (1995) 194号, and was founded, on the basis of Shenzhen Fangda Construction Material Co., Ltd., by way of share issuing in October 1995. The unified social credit code is: 91440300192448589C; registered address: Fangda Building, Kejinan Road 12, High-tech Zone, Shenzhen. Mr. XiongJianming is the legal representative.

The Company issued foreign currency shares (B shares) and local currency shares (A shares) and listed in November 1995 and April 1996 respectively in Shenzhen Stock Exchange. The Company received the Reply to the Non-public Share Issuance of Fangda China Group Co., Ltd. (CSRC License [2016] No.825) to allow the Company to conduct non-public issuance of 32,184,931 A-shares in June 2016. According to the profit distribution plan for 2016 approved by the 2016 general shareholders' meeting, the Company issued five shares for every ten shares to all shareholders through surplus capitalization based on the total 789,094,836 shares on December 31, 2016. At the end of 2017, the registered capital was RMB1,183,642,254.00. In August 2018, the company repurchased and cancelled 28,160,568.00 B shares and the existing registered capital was RMB1,155,481,686.00.

The Company has established a corporate governance structure that comprises shareholders' meeting, board of directors and supervisory committee. Currently, the Company sets up the President Office, Administrative Department, HR Department, Enterprise Management Department, Financial Department, Audit and Supervisory Department, Securities Department, Technology Innovation Department and IT Department and has established subsidiaries including Fangda Decoration, FangdaChuangzhi, Fangda New Material, Fangda Property and Fangda New Energy.

The business nature and main business operations of the Company and subsidiaries (“the Group”) include (1) production and sales of curtain wall materials, design, production and installation of construction curtain walls; (2) assembly and production of subway screen doors; (3) development and operation of real estate projects on land, of which rights have been obtained lawfully; (4) R&D, installation and sales of PV devices, design and installation of PV power plants.

The financial statements and notes are approved at the 13<sup>th</sup> meeting of the 8<sup>th</sup> term of the Board of Directors held on 28.01.19.

The consolidation scope for the consolidated financial statements includes the Company and all subsidiaries. The main entities included in the scope of consolidation in this period include two subsidiaries. In this period the company is no longer included in the scope of consolidation. In this period the subsidiary Fangda Decoration Engineering (Shenyang) Co. Ltd. (hereinafter referred to as Shenyang Decoration Company) was cancelled. See Note 8 Change to consolidation scope and Note 9 Interests in other entities.

## **IV. Basis for the preparation of financial statements**

### **1. Preparation basis**

The financial statements are prepared according to the enterprise financial standard and guidelines, interpretation and other related regulations (“the Standard”) issued by the Ministry of Finance. The Group has also disclosed related financial information according to the requirement of the Regulations of Information Disclosure No.15 – General Provisions for Financial Statements (Revised in 2014) issued by the CSRC.

The Group prepares the financial statements based on continuous operation.

The Group's auditing is based on the accrual basis. Except for some financial instruments and property held for investment, the financial statements are prepared based on historical costs. In case of any asset impairment, the impairment provision will be made as required.

### **2. Continuous operation**

The Company assessed the continuing operations capability of the Company for the 12 months from the end of the reporting period. No matters were found that would affect the Company's ability to continue as a going concern. It is reasonable for the Company to prepare financial statements based on continuing operations.

## **V. Significant Account Policies and Estimates**

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.2 – Listed Companies Engaged in Solid Mineral Resources Related Business.

Specific accounting policy and estimate prompt:

The Group determines the accounting policies and income recognition policies for investment real estate according to the production and business features. For details, see Note V. 13 and Note V. 22.

### **1. Statement of compliance to the Enterprise Accounting Standard**

The financial report and statements are prepared with compliance to the requirement of the Enterprise Accounting Standard. They

reflect the financial position as of 31.12.18, and business performance and cash flow situation in Year 2018 of the Company frankly and completely.

## **2. Fiscal Period**

The fiscal year of the Group is the solar calendar year, that is from January 1 to December 31.

## **3. Operation period**

The operation period of the Group is 12 months.

## **4. Bookkeeping standard money**

The Company, domestic subsidiaries and overseas subsidiary Shihui International Holding Co., Ltd. use RMB as bookkeeping standard money. Overseas subsidiaries Automatic System (Hong Kong) Co., Ltd. and Fangda Australia Pty Ltd use HKD and AUD as bookkeeping standard money respectively. The Group prepares financial statements in RMB.

## **5. Accounting treatment of the entities under common and different control**

### **(1) Consolidation of entities under common control**

Assets and liabilities obtained by the merging party are calculated at their book value with the merged parties at the merger day in the consolidated financial statement of the merging party in addition to the adjustment made given the difference in accounting policies. The differences between the book value of net assets and the book value of consideration price (or the total of face value of share issued) are adjusted to the capital reserve (share capital premium). If the share capital premium is not enough to offset the difference, it will be adjusted to the retained gains.

### **Enterprise merger under common control through multiple transactions**

In separate financial statements, the initial investment cost is the book value of the merged party's net assets that can be shared by the merging party in the consolidate financial statements of the final controlling party according to the shareholding percentage on the merging date; adjust the capital surplus (share premium) according to the difference between the initial investment cost and the book value of the held investment before merger plus the book value of the consideration paid on the merger date. Where the capital surplus falls short, the retained income should be adjusted.

In consolidated financial statements, assets and liabilities obtained by the merging party from the merged party should be measured at the book value in the final controlling party's consolidated financial statements other than the adjustment made due to differences in accounting policies; adjust the capital surplus (share premium) according to the difference between the initial investment cost and the book value of the held investment before merger plus the book value of the consideration paid on the merger date. Where the capital surplus falls short, the retained income should be adjusted. Changes in recognized related profit and loss, other misc. incomes and other owner's equity between the later one of the date when the original stock equity was obtained and the date when the merged party and merging party become under the common control should respectively write down the retained profit in beginning of the report period or current period's profit or loss.

### **(2) Consolidation of entities under different control**

For merger of entities under different control, the merger cost is the fair value of the asset paid, liability undertaken, and equity securities issued for exchanging of control power over the entities at the day of acquisition. On the acquisition day, the assets and liabilities (if any) acquired by the Group from the acquired party are recognized on the fair value.

If the merger costs exceed the fair value of the recognizable net assets of the acquired party in the merger, it is recognized as goodwill and measured based the costs after the accumulative impairment provision is deducted; if the the fair value exceeds the costs, it is included in the income statement for the period after being re-examined.

Where there is new or further evidence on the condition existing on the acquisition date 12 months later and adjustment needs to be made, the good will should be adjusted and merged.

### (3) Treatment of related transaction fee in enterprise merger

Agency expenses and other administrative expenses such as auditing, legal consulting, or appraisal services occurred relating to the merger of entities are accounted into current income account when occurred. The transaction fees of equity certificates or liability certificates issued by the purchaser for payment for the acquisition are accounted at the initial amount of the certificates.

## 6. Preparation of Consolidated Financial Statements

### (1) Consolidation scope

The consolidate scope of consolidated financial statements is determined based on control. Control means the power possessed by the Company on invested entities to share variable returns by participating in related activities of the invested entities and to impact the amount of the returns by using the power. Subsidiaries are enterprises controlled by the Company.

### (2). Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared by the Company based on financial statements of the Company and subsidiaries and according to other related information. During preparation of consolidated financial statements, the accounting policies and period of the Company and subsidiaries must be the same. Major transactions and balances between companies are offset.

Subsidiaries and businesses increased because of merger of enterprises under the common control during the report period are deemed consolidated into the consolidate scope from the date of becoming controlled by the final party. The operating result and cash flows of the subsidiaries and businesses from the date of becoming controlled by the final party should be incorporated into the consolidate income statement and consolidate cash flow statement.

For subsidiaries and businesses increased because of merger of enterprises not under the common control, their incomes, expenses and profits between the date of acquisition and end of the report period should be incorporated into the consolidated income statement, and the cash flows should be incorporated into the consolidated cash flow statement.

The shareholder's equity of the subsidiary company is not part of the company's ownership and is presented separately as minority shareholders' equity in the consolidated balance sheet. The subsidiary's current net profit or loss is the share of minority shareholders' equity is listed as "minority shareholder gains and losses" in the net profit item of the consolidated income statement. If the losses of subsidiaries shared by the minority shareholders exceed the part of the owners' equity of the subsidiaries at the beginning of the period, the excessive part will offset the minority shareholders' equity.

### (3) Acquisition of subsidiary minority interests

The difference between the investment cost of the long-term equity obtained from acquisition of minority interests and the share of net assets in the subsidiary calculated continuously based on the increased shareholding percentage, and the difference between the disposal income obtained from the partial disposal of the subsidiary's equity investment without losing the control power and the share of net assets in the subsidiary calculated continuously based on the increased shareholding percentage should be adjusted and consolidated in the capital surplus in the consolidated balance sheet. Where the capital surplus falls short, the retained income should be adjusted.

### (4) Treatment of loss of subsidiaries' control power

For loss of control over subsidiaries due to disposal of partial equity investment or other reasons, the remaining equity should be re-measured at the fair value on the date of loss of the control power; the sum of the consideration obtained from the disposal of stock equity and the fair value of the remaining equity, minus the sum of the share of the net assets' book value calculated continuously from the acquisition date according to the original shareholding percentage and the goodwill should be recorded in the investment gain of the current period of the loss of control power.

Other misc. incomes related to the equity investment in the original subsidiary is transferred to the current period's profit and loss when the control power is lost, except for the other misc. incomes generated by remeasurement and resetting of earning plan or change in the net assets by the invested party.

## 7. Recognition of cash and cash equivalents

Cash refers to cash on hand and deposits that can be used at any time for payment. Cash equivalent refers to the investments with short term, strong liquidity and small risk of value fluctuation that are held by the Group and easily converted into cash with known amount.

## 8. Foreign exchange business and foreign exchange statement translation

### (1) Foreign currencies

Trades of the Group made in foreign currencies are translated into RMB basing on the spot exchange rate on the date when the trade is conducted.

At the balance sheet date, foreign currency items are translated on the spot exchange rate of the balance sheet date. The exchange differences caused by the difference in exchange rates on the balance sheet date and initial recognizing date or previous balance sheet date are included in the current profits and losses. Non-monetary items accounted in foreign currency and on historical costs are exchanged with the spot exchange rate on the transaction date. Non-monetary items accounted in foreign currency and on fair value are exchanged with the spot exchange rate on the determination date of the fair value. The exchange difference between the accounting standard-currency amount and the original accounting standard-currency amount are included in the current profits and losses.

### (2) Translation of foreign exchange statement

On the balance sheet date, when foreign currency financial statements of overseas subsidiaries are converted, the assets and liabilities items in the balance sheet are converted using the spot exchange rate on the balance sheet date. The shareholders' equity items are calculated as "undistributed profits", except for other items. The spot exchange rate on the date of occurrence is used for conversion.

The income and expense items in the income statement are translated using the exchange rate that is determined by the system's reasonable method and approximate to the spot exchange rate on the transaction date.

All items in the cash flow statement are converted according to the exchange rate that is determined by the system's reasonable method and approximate to the spot exchange rate on the day the cash flow occurs. The impact of changes in exchange rates on cash is used as a reconciliation item, which is separately presented in the cash flow statement "Items Affecting Exchange Rate Movements on Cash and Cash Equivalents".

The difference arising from the translation of the financial statements is reflected in the "Other comprehensive income" item under the shareholders' equity item in the balance sheet.

When foreign operations are disposed of and the control rights are lost, the difference in foreign currency statements related to the overseas operations that are listed in the shareholders' equity items in the balance sheet is transferred to the profit or loss for the current period, either in whole or in proportion to the disposal of the foreign operations.

## 9. Financial instrument

Financial instrument refers to a company's financial assets and contracts that form other units of financial liabilities or equity instruments.

### (1) Recognition and derecognition of financial instrument

The Group recognizes a financial asset or liability when it becomes one party in the financial instrument contract.

Financial asset is derecognized when:

- (1) The contractual right to receive the cash flows of the financial assets is terminated;
- (2) The financial asset is transferred and meets the following derecognition condition.

When partial or all of the current responsibilities attached to such financial liabilities, the partial or all of the financial liabilities are derecognized. When the Group (debtor) and creditor enter into an agreement to replace the existing financial liabilities by undertaking new financial liabilities and the contract terms for the new financial liabilities are essentially different from those for the existing one, the existing financial liabilities will be derecognized and new financial liabilities will be recognized.

Financial asset transactions in regular ways are recognized and de-recognized on the transaction date.

### (2) Classification and measurement of financial assets

Financial assets of the Group are categorized as: financial assets measured at fair value with variations accounted into current income account, receivables and financial assets available for sales. Financial assets are measured at the fair value at the initial recognition.

For financial assets measured at fair value with variations accounted into current income account, related transaction expenses are accounted into the current income. For other financial assets, the related transaction expenses are accounted into the initial recognized amounts.

Financial assets measured at fair value with variations accounted into current income account

It includes transactional financial assets and financial assets measured by fair value and with variations accounted into current gain/loss account at initial recognition. The financial assets are further measured by fair value with the gain/loss created by variations in fair value and related dividends and interest accounted into the current gain/loss account.

### Receivables

Receivables refer to non-derivative financial assets without quotations but with fixed recoverable amount or can be confirmed, including receivable notes, receivable accounts and other receivables (Note V. 10). Receivables adopt the effective interest method and are further measured by amortized cost. Gain/loss generated at final recognition, impairment or amortization is accounted into the current gain/loss account.

## Sellable financial assets

Sellable financial asset refers to those sellable non-derivate financial assets recognized initially and financial assets other than the above-mentioned types of financial assets. Sellable financial assets are further measured by fair value and the premium/discount is amortized by the effective interest method and recognized as interest income. Other than the exchange difference of impairment loss and foreign exchange monetary financial assets, which is recognized as current gain and loss, the variations in fair value of sellable financial assets is recognized as other comprehensive gain. When it is derecognized and transferred out, it is accounted into the current gain/loss account. Dividends and interest income related to sellable financial assets are accounted into the current gain/loss account.

Equity instrument investment without quotation in an active market and whose fair value cannot be reliably measured and derivative financial assets that are linked to the equity instrument and that need to be settled through delivery of the equity instruments are measured by costs.

## (3) Classification and measurement of financial liabilities

The Group's financial liabilities are mainly other financial liabilities

Other financial liabilities adopt the effective interest method and are further measured by amortized cost. Gain/loss generated at final recognition or amortization is accounted into the current gain/loss account.

## Differences between financial liabilities and equity instruments

Financial liabilities is liabilities that meet one of the following conditions:

- (1) contractual obligation to deliver cash or other financial assets to other parties.
- (2) under potential adverse conditions, the contractual obligation to exchange financial assets or financial liabilities with other parties.
- (3) In the future, a non-derivative instrument contract that can be settled with the company's own equity instruments will be used, and the company will deliver a variable amount of its own equity instruments based on the contract.
- (4) Derivatives contracts that may be settled with the company's own equity instruments or may be settled in the future, except for a derivative contract that exchanges a fixed amount of its own equity instruments for a fixed amount of cash or other financial assets.

Equity instruments refer to contracts that prove the ownership of a company's remaining equity in assets after deducting all liabilities.

If the Group cannot unconditionally avoid the performance of a contractual obligation by delivering cash or other financial assets, the contractual obligation is in line with the definition of a financial liability.

If a financial instrument is required to be settled with or can be settled with the Group's own equity instruments, the Group's own equity instrument used to settle the instrument needs to be considered as a substitute for cash or other financial assets or for the holder of the instrument to enjoy the remaining equity in the assets after all liabilities are deducted. If it is the former, the instrument is the financial liabilities of the Group; if it is the latter, the instrument is the equity instrument of the Group.

## (4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments include futures contracts. It is initially measured at the fair value at the date of signing the derivative transaction contract and is subsequently measured at its fair value. Derivative financial instruments with a positive fair value are recognized as asset, and instruments with a negative fair value are recognized as liabilities. Any gains or losses arising from changes in fair value that do not meet the hedge accounting requirements are directly charged to profit or loss for the current period.

For hybrid instruments containing embedded derivatives, if there are no financial assets or financial liabilities that are not designated as measured at fair value and their changes are recorded as profit or loss for the current period, there is no close relationship between the embedded derivatives and the principal contract in terms of economic characteristics and risks with same conditions as embedded derivatives, the separately existing tools are in accordance with the definition of the derivatives, the embedded derivatives are split from the hybrid tools and processed as separate derivative financial instruments. If it is not possible to separately measure the

embedded derivative instrument at the time of acquisition or on the subsequent balance sheet date, the entire hybrid instrument is designated as financial asset or financial liabilities that are measured at its fair value and whose changes are recorded as profit or loss for the current period.

#### (5) Fair value of financial instrument

See Note III. 10 for the recognition of fair value of financial assets and liabilities.

#### (6) Impairment of financial assets

Financial assets measured at fair value with variations accounted into current income account. The Group checks the book value of financial assets on the balance sheet date. Impairment provision will be made in case of objective evidence proving impairment to the financial assets. Objective evidence proving impairment to the financial assets refers to events actually occur after the initial recognition of financial assets, with influence on the estimated future cash flows of the financial assets and can be reliably measured by the Group.

Objective evidence proving impairment to the financial assets includes the following observable situations:

- ① Severe financial difficulties in the issuer or debtor;
- ② The debtor violates the contract or defaults or delays the payment of the interest or principal;
- ③ The Group makes compromise to the debtor with financial difficulties due to economic or legal consideration;
- ④ The debtor may go bankruptcy or conduct other financial reorganization;
- ⑤ The financial assets can no longer be traded in an active market due to material financial difficulties in the issuer;
- ⑥ It cannot be recognized whether the cash flow of an asset in a group of financial assets has decreased. However, according to open data, it can be evaluated that the estimated future cash flow of the group of financial assets has decreased and the decrease can be measured, including:
  - The payment capacity of the debtor of the financial assets continues weakening;
  - Situations that may lead to the payment failure of the financial assets happen in the country or region where the debtor is located;
- ⑦ Significant adverse changes occurs to the technical, market, economic or legal environment of the debtor, leading to that the equity instrument investor may not be able to recover the investment;
- ⑧ Other objective evidence that can prove the impairment of the financial assets

Financial assets measured at amortized cost

If there is objective evidence proving impairment to the financial assets, the book value of the financial assets will be written down to the present value of the estimated future cash flow (excluding undiscovered future credit loss). The write-down amount is accounted into the current gain/loss account. The present value of the estimated future cash flow is determined by the original effective discount rate with the value of the guarantee considered.

Conduct impairment test separately for major financial assets. If there is objective evidence suggesting impairment, determine the impairment loss and account it into the current gain/loss account. For financial assets with insignificant single amounts, impairment tests are conducted separately or included in the portfolio of financial assets with similar credit risk characteristics. Test financial assets without impairment separately (including major and minor financial assets) and conduct impairment test in the financial assets combination with similar credit risk features. Conduct impairment test for financial assets separately recognized as impaired excluding financial assets combination with similar credit risk features.

After the Group recognizes impair loss to financial assets measured by amortized cost, if there is object evidence suggesting that the value of the financial assets is restored objectively due to an event after the loss, the recognized impairment loss can be reversed and accounted into the current gain/loss account. The book value after the reversal must not exceed the amortized cost of the financial assets on the reversal date assuming that no impairment provision was made.

#### (7) Transfer of financial assets



The transfer of financial assets refers to transferring or delivering the financial assets to another party (receiver) other than the issuing party of the financial assets.

Recognition of the financial asset is terminated as soon as all of the risks and rewards attached to the financial asset have been transferred to the receiver. Whereas if all of the risks and rewards attached to the financial assets are reserved, recognition of the financial asset shall not be terminated.

When the Group neither transfers nor reserve almost all risks and rewards attached to the financial assets, it will be handled as: When the controlling power over the financial asset is given up, the financial assets will be derecognized and the generated assets and liabilities will be recognized; when the controlling power is not given up, financial asset and related liability shall be recognized according to the extend the Company is involving in the financial asset.

#### (8) Deduction of financial assets and liabilities

When the Group has the legal right to deduct recognized financial assets and liabilities, can exercise the legal right, and the Group plans to settle them in net, liquidate and repay the financial assets and liabilities, the amount after the deduction will be presented in the balance sheet. Exception for the deducted part, other financial assets and liabilities are separately presented in the balance sheet.

## 10. Receivable note and accounts receivable

### (1) Receivables with major individual amount and bad debt provision provided individually

Judging basis or standard of major individual amount	For the current year, the Company recognizes project receivables and receivable notes of over RMB10 million (inclusive) as “individual receivable with large amount” while recognizes product receivables and receivable notes of over RMB2 million (included) as “individual receivable with large amount” and other receivables over RMB1 million (included) as “individual receivable with large amount”.
Provision method for account receivable with major individual amount and bad debt provision provided individually	The Company performs impairment examination individually on each large amount receivables, and recognizes impairment and provides bad debt provision when the impairment is recognized based on objective evidence. Those not impaired are accounted along with the minor amount receivables and recognized in risk groups.

### (2) Recognition and providing of bad debt provisions on groups

Group	Method of bad debt provision
Account age	Aging method
Receivables within consolidation, receivables of real estate property sold with bank mortgage and accounts and receivable notes between the Company and partners	Other method

Note: According to the name of the specific combination, fill in the bad debt provision accrual method for each combination.

Receivables adopting the aging method in the group:

√ Applicable □ Inapplicable

Age	Providing rate for receivable account	Providing rate for other receivables
Within 1 year (inclusive)	1.00%	3.00%
1-2 years	5.00%	10.00%
2-3 years	20.00%	30.00%
3-4 years	30.00%	50.00%
4-5 years	50.00%	80.00%
Over 5 years	100.00%	100.00%

Receivables adopting the balance percentage method in the group

□ Applicable √ Inapplicable

Group	Providing rate for receivable account	Providing rate for other receivables

Receivables adopting other methods in the group

□ Applicable √ Inapplicable

Group	Providing rate for receivable account	Providing rate for other receivables

Note: Fill in the specific combination name and accrual ratio.

**(3) Receivables with not major individual amount and bad debt provision provided individually**

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.6 – Listed Companies Engaged in Decoration Business.

Reasons for separate bad debt provision	Long account age or deterioration of customer creditability
Method of bad debt provision	According to the difference between the present value of future cash flow and the book value

**11. Inventories**

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

(1) Classification of inventories

The Company's inventories include purchased materials, raw materials, low-value consumables, OEM materials, products in process, semi-finished goods, finished goods, inventory, development products, and construction in process.

(2) Pricing of delivering inventory

Inventories are measured at cost when procured. Raw materials, products in process and commodity stocks in transit are measured by the weighted average method.

Construction contracts are measured by the effective cost, including direct and indirect expenses generated before the contracts are

fulfilled. Costs generated and recognized accumulatively by construction in process and settled payment are listed in the balance sheet as offset net amounts. The excessive part of the sum of the generated costs and recognized gross profit (loss) over the settled payment is listed inventories; the excessive part of the settled payment over the sum of the generated costs and recognized gross profit (loss) is listed as the prepayment received.

Travel and bidding expenses generated by execution of contracts, if they can be separated and reliably measured and it is likely to enter into contracts, are accounted as the contract cost when the contracts are entered into; or into the current gain/loss account if the conditions are not met.

The development costs include land transfer payment, infrastructure and facility costs, installation engineering costs, borrows before completion of the development and other costs during the development process. The special maintenance funds collected in the first period are included in the development overheads. The actual costs of the development product is priced using the separate pricing method.

### (3) Recognition of inventory realizable value and providing of impairment provision

The realizable net value of inventory is the estimated sales prices of the inventory less costs to be incurred until the completion, estimated sales expense and taxes. The realizable net value of inventory should be recognized based on solid evidence with the purpose of the inventory and after-balance-sheet-date events taken into consideration.

If the inventory cost is higher than the realizable net value on the balance sheet date, the inventory depreciation provision should be made. The Group makes inventory depreciation provision for separate or a type of inventory. If factors affecting the inventory value disappear on the balance sheet date, the depreciation provision made should be reversed to the original value.

### (4) Inventory system

The Group uses perpetual inventory system.

### (5) Amortizing of low-value consumables and packaging materials

Low-value consumables are amortized on on-off amortization basis at using.

## 12. Long-term share equity investment

The Group's long-term equity investment includes control on invested entities and significant impacts on equity investment. Invested entities on which the Group has significant impacts are associates of the Group.

### (1) Recognition of initial investment costs

Long-term equity investment generated by enterprise merger: for long-term equity investment obtained by merger of enterprises under common control, the obtained share of book value of the interests of the merged party's owner in the consolidate financial statements on the merger date is the investment costs; for long-term equity investment obtained by merger of enterprises not under common control, the merger cost is the investment cost.

For long-term equity investment obtained by cash, the actually paid consideration is the initial investment cost.

### (2) Subsequent measurement and recognition of gain/loss

Investments by the Company in subsidiaries are calculated using the cost method; in joint ventures are calculated using the equity method.

For the long-term equity investment measured on the cost basis, except for the announced cash dividend or profit included in the practical cost or price when the investment was made, the cash dividends or profit distributed by the invested entity are recognized as

investment gains in the current gain/loss account.

When the equity method is used to measure long-term equity investment, the investment cost will not be adjusted if the investment cost of the long-term equity investment is larger than the share of fair value of the recognizable assets of the invested entity. When it is smaller than the share of fair value of the recognizable assets of the invested entity, the book value will be adjusted and the difference is included in the current gains of the investment.

When the equity method is used, the current investment gain is the share of the net gain realized in the current year that can be shared or borne, recognized as investment gain and other misc. income. The book value of the long-term equity investment is adjusted accordingly. The book value of the long-term equity investment should be accordingly decreased based on the share of profit or cash dividend announced by the invested entity; according to other changes in the owner's equity except for net profit and loss, other misc income and profit distribution of the invested entity, adjust the book value of the long-term equity investment and record it in the capital surplus (other capital surplus). When the share of the net gains that can be enjoyed is recognized, it is recognized after the net profit of the invested entity is adjusted based on the fair value of the recognizable assets of the invested entity according to the Company's accounting policies and accounting period.

Where substantial influence on invested entities is imposed or joint control is implemented due to increase in investment, the sum of the fair value of the original equity and increased investment on the conversion date is the initial investment cost under the equity method. The difference between the fair value and book value of the original equity on the conversion date and the accumulative change in the fair value originally accounted in other misc. income should be transferred into the profit and loss of the current period using the equity method.

Where joint control or substantial influence on invested entities is lost due to disposal of part of investment, the remaining equity after the disposal should be treated according to the Enterprise Accounting Standard No.22 – Recognition and Measurement of Financial Instruments from the date of losing the joint control or substantial influence. The difference between the fair value and book value should be accounted the profit and loss of the current period. For other misc. incomes of original share equity investment determined using the equity method, when the equity method is no longer used, it should be treated based on the same basis of the treatment of related assets or liability of the invested entities; the other owners' interests related to the original share equity investment should be transferred to gain/loss of the current period.

Where the disposal of part of the equity investment leads to loss of control on the invested entity, and the remaining equity after the disposal can impose common control or significant impacts on the invested entity, use the equity method and make adjustment as if the equity method was used when the remaining equity was acquired. If not, perform accounting treatment according to provisions in the Enterprise Accounting Standard No.22 – Recognition and Measurement of Financial Tools. The difference between the fair value and book value on the date of losing control should be transferred into the profit and loss of this period.

Where the Company's shareholding decreases and the Company loses the control due to increased investment by another investor, but the Company can still impose common control or significant impacts on the invested entity, the share of increased net assets of the invested entity that can be shared by the Company should be calculated based on the new shareholding, the difference between the net assets and original book value of the original long-term equity investment should be recorded in the profit and loss of this period and adjusted as if equity method was used when it was acquired according to the new shareholding proportion.

Internal transaction gain not realized between the Company and affiliates is measured according to the shareholding proportion and the investment gains is recognized after deduction. The unrealized internal transaction loss between the Company and the invested entity is the impairment loss of transferred assets and should not be written off.

### (3) Basis for recognition of major influence on invested entities

Major influence refers to the power to participate in decision-making of financial and operation policies of a company, but cannot control or jointly control the making of the policies. When considering whether the Company can impose significant impacts on the invested entity, impacts of conversion of shares with voting rights held directly or indirectly by the investor and voting rights that can be executed in this period held by the investor and other party into shares of the invested entity should be considered.

When Company directly or indirectly holds 20% (inclusive) but less than 50% of the shares with voting rights of the invested entity, it is generally considered that the Company can impose significant impacts unless there is clear evidence proving that the Company shall not participate in the production and business decision making of the company; when the Company holds less than 20% of the shares with voting rights, it is generally not considered that the Company has significant impacts on the invested entity, unless there is clear evidence proving the contrary.

#### (4) Equity investment held for sale

For the remaining equity investments not classified as assets held for sale, the equity method is adopted for accounting treatment.

Equity investments classified as held for sale to associates that are no longer eligible to hold classified assets for sale are retrospectively adjusted using the equity method starting from the date that they are classified as held for sale.

#### (5) Impairment examination and providing of impairment provision

See Note V. 18 for the assets impairment provision method for investment in subsidiaries and joint ventures.

### 13. Investment real estates

Measuring mode of investment real estate

Measured at cost

Depreciation or amortization method

Investment real estates of the Group are buildings leased.

For investment real estates with an active real estate transaction market and the Group can obtain market price and other information of same or similar real estates to reasonably estimate the investment real estates' fair value, the Group will use the fair value mode to measure the investment real estates subsequently. Variations in fair value are accounted into the current gain/loss account.

The fair value of investment real estate is determined with reference to the current market prices of same or similar real estates in active markets; when no such price is available, with reference to the recent transaction prices and consideration of factors including transaction background, date and district to reasonably estimate the fair value; or based on the estimated lease gains and present value of related cash flows.

For investment real estate under construction (including investment real estate under construction for the first time), if the fair value cannot be reliably determined but the expected fair value of the real estate after completion is continuously and reliably obtained, the investment real estate under construction is measured by cost. When the fair value can be measured reliably or after completion (the earlier one), it is measured at fair value. For an investment real estate whose fair value is proven unable to be obtained continuously and reliably by objective evidence, the real estate will be measured at cost basis until it is disposed and no residual value remains as assumed.

The difference of the proceeds from sales, transfer, retirement or destruction of investment real estates with book value and related taxes deducted is accounted into the current gain/loss account.

Investment real estate that use the cost method for further measurement adopt the straight-line depreciation provision method. See Note V. 18 for the provision method.

## 14. Fixed assets

### (1) Recognition conditions

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one accounting year of service life. The fixed assets can only be recognized when economic interests related to the fixed assets are very likely to flow into the company and the costs of the fixed assets can be reliably measured. The Group measures fixed assets at the actual costs when the fixed assets are obtained

### (2) Depreciation method

Type	Depreciation method	Service year	Residual rate	Annual depreciation rate %
Houses & buildings	Average age	35-50	10%	1.8%-2.57%
Mechanical equipment	Average age	10	10%	9%
Transportation facilities	Average age	5	10%	18%
Electronics and other devices	Average age	5	10%	18%
PV power plants	Average age	20	5%	4.75%

## 15. Construction in process

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Group recognizes the cost of construction in process according to the actual construction expense, including necessary engineering expenses, borrowing costs to be capitalized before the engineering reaches the preset service condition and other related costs.

Construction in process will be transferred to fixed assets when it reaches the preset service condition.

See Note V. 18 for the provision method for construction in process.

## 16. Borrowing expenses

### (1) Recognition principles for capitalization of borrowing expenses

Borrowing expenses occurred to the Group that can be accounted as purchasing or production of asset satisfying the conditions of capitalizing, are capitalized and accounted as cost of related asset. Borrowing expenses start to be capitalized when all of the followings are satisfied:

(1) Asset expense has already occurred. Asset expenses include cash payment, non-cash asset transferring, or undertaking of debt with interest done for purchasing or producing of assets;

(2) The borrowing expense has already occurred;

(3) Purchasing or production activity, which is necessary for the asset to reach the useful status, has already started.

(2) During borrowing expense capitalization

When the asset satisfying the capitalizing conditions has reached its usable or sellable status, capitalizing of borrowing expenses shall be terminated. Borrowing expenses incurred after assets that meet capitalization conditions reach the service or sales conditions are accounted into the current gain/loss account according to the actual amounts.

If the construction or production of assets satisfying the capitalizing conditions is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended. During the normal suspension period, borrowing expenses will be capitalized continuously.

(3) Calculation of the capitalization amount of borrowing expense

Interest expenses generated by special borrowings less the interests income obtained from the deposit of unused borrowings or investment gains from temporary investment is capitalized; the capitalization amount for general borrowing is determined based on the capitalization rate which is the exceeding part of the accumulative assets expense over weighted average of the assets expense of the special borrowing/used general borrowing. The capitalization ratio is the weighted average interest rate of general borrowings.

In the capitalization period, the exchange difference of special borrowings in foreign currencies should be fully capitalized. The exchange difference should be recorded in the profit and loss of this period.

## 17. Intangible assets

### (1) Pricing method, service life and depreciation test

The Group's intangible assets include land using rights, trademarks, patent, special technologies, and software.

Intangible assets are initially measured at costs and the useful life will be determined when obtained. Where the useful life is limited, the intangible assets will be amortized within the predicted useful life by using the amortization method that can reflect predicted realization way of the economic benefit of the assets; whether the realization way cannot be reliably confirmed, use the straight-line method. If the useful life is uncertain, the intangible assets are not amortized.

Intangible assets with limited useful life are amortized as followings:

Type	Useful life	Basis of amortization
Land using right	Beneficial age	Average age
Trademarks and patents	10	Average age
Proprietary technology	10	Average age
Software	5, 10 years	Average age

At the end of each year, the Group will reexamine the useful life and amortization basis of intangible assets with limited useful life. If they change, adjust the prediction and handle it according to accounting estimate changes.

On the balance sheet day, if the intangible assets become unlikely to bring future economic benefits for the Group, transfer all the intangible assets' book value into the current gain/loss account.

See Note V. 18 for the impairment provision method for intangible assets.

## (2) Accounting policies for internal R&D expenses

The Group divides internal R&D project expenses into research and development expenses.

The research expenses are accounted the current gain/loss account.

Development expenses can only be capitalized when the following conditions are satisfied: the technology is feasible for use or sales; there is the intention to use or sell the intangible assets; it can be proven that the product generated by the intangible assets is demanded or the intangible assets in demanded; if the intangible is used internally, it can be proven that it is useful; with necessary technical and financial resources and other resources to complete the development of the intangible assets and the intangible assets can be used or sold; the development expense can be reliably measured. If not, the development expense is accounted into the current gain/loss account.

If a research project meets the above-mentioned conditions and passes the technical and economic feasibility study, the project will enter the development stage.

Expenses in the development stage capitalized are listed as development expense on the balance sheet and transferred to intangible assets when the project reaches the useful condition.

## 18. Assets impairment

The Group uses the cost mode to continue measuring the assets impairment to investment real estatement, fixed assets construction in progress, intangible assets and goodwill (except for the inventories, investment real estate measured by the fair value mode, deferred income tax assets and financial assets). The method is determined as follows:

The Group judges whether there is a sign of impairment to assets on the balance sheet day. If such sign exists, the Group estimates the recoverable amount and conducts the impairment test. Impairment test is conducted annually for goodwill generated by mergers and intangible assets that have not reached the useful condition no matter whether the impairment sign exists.

The recoverable amount is determined by the higher of the net of fair value minus disposal expense and the present value of the predicted future cash flow. The Group estimates the recoverable amount on the individual asset item basis; whether it is hard to estimate the recoverable amount on the individual asset item basis, determine the recoverable amount based on the asset group that the assets belong to. The assets group is determined by whether the main cash flow generated by the group is independent from those generated by other assets or assets groups.

When the recoverable amount of the assets or assets group is lower than its book value, the Group writes down the book value to the recoverable amount, the write-down amount is accounted into the current income account and the assets impairment provision is made.

For goodwill impairment test, the book value of goodwill generated by mergers is amortized through reasonable measures since the



purchase day to related asset groups; those cannot be amortized to related assets groups are amortized to related combination of asset groups. The related asset groups or combination of asset groups refer to those that can benefit from the synergistic effect of mergers and must not exceed to the reporting range determined by the Group.

When the impairment test is conducted, if there is sign of impairment to the asset group or combination of asset groups related to goodwill, first perform impair test for asset group or combination of asset groups without goodwill and calculate the recoverable amount and recognize the related impairment loss. Then conduct impairment test on those with goodwill, compare the book value with recoverable amount. If the recoverable amount is lower than the book value, recognize the impairment loss of the goodwill.

Once recognized, the asset impairment loss cannot be written back in subsequent accounting period.

## **19. Long-term amortizable expenses**

The Group's long-term amortizable expenses are measured at the actual costs and amortized averagely based on the beneficial term. For long-term amortizable expenses that are not beneficial in the subsequent account periods, the residual value is fully accounted into the current gain/loss account.

## **20. Staff remuneration**

### **(1) Accounting of operational leasing**

The Group pays for the medical insurance, job injury insurance and breeding insurance and housing fund according to employees' wages and bonus and recognizes them as liabilities, which are recorded into the profit and loss or related assets costs in the current period. If the liabilities cannot be fully paid within 12 months upon the end of the report period in which the employees provide service, and the financial impacts are substantial, the liabilities should be measured at the discounted amount.

### **(2) Accounting of post-employment welfare**

The post-employment welfare of the Group is a defined plan, which means that the Company does not need to assume any responsibility after making fixed contribution to an independent fund. The defined plan includes basic pension and unemployment insurance. The contribution of the plan is recognized as liabilities and recorded in the profit and loss of this period or related assets costs.

### **(3) Accounting of dismiss welfare**

Where the Group provides dismiss welfare for employees, the staff remuneration liabilities is recognized on the earlier one of the following two date: when the Group cannot cancel the dismiss welfare provided for termination of employment or layoff; when the Group recognizes the costs or expenses of reorganization related to the payment of dismiss welfare.

## **21. Anticipated liabilities**

When responsibilities occurred in connection to contingent issues, and all of the following conditions are satisfied, they are recognized as expectable liability in the balance sheet:

- (1) This responsibility is a current responsibility undertaken by the Group;
- (2) Execution of this responsibility may cause financial benefit outflow from the Group;
- (3) Amount of the liability can be reliably measured.

Expected liabilities are initially measured at the best estimation on the expenses to exercise the current responsibility. The book value of expected liability is revised at balance sheet day, and adjustment will be made to reflect current best estimation.

## 22. Revenue

Whether the Company needs to comply with disclosure requirements of special industries

Yes

Property development and decoration industries

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.2 – Listed Companies Engaged in Solid Mineral Resources Related Business.

### (1) General principles

#### 1. Sales of goods

When all of the following conditions are satisfied, the sales of goods are recognized as sales income according to the contract amount received or receivable from the buyer: (1) Main risks and rewards attached to the ownership of the goods have been transferred to the buyer; (2) No succeeding power of administration or effective control is reserved which are usually attached to ownership; (3)

Amount received can be reliably measured; (4) Related financial benefit may inflow to the Company; (5) Relative costs, occurred or will occur, can be reliably measured.

#### 2. Providing of labor service

If they are not in the same year, then use the estimation on percentage basis when it is possible.

The completion percentage is the costs occurred on the total cost.

The reliable estimation of the result of providing of labor service must meet the following conditions: A. the revenue can be reliably measured; B. the economic benefit is very likely to flow into the company; C. the completion can be determined reliably; D. costs incurred or will be incurred can be reliably measured.

If the result cannot be reliably estimated, use the service cost amount of the compensation obtained or will be obtained to recognize the revenue of the providing of labor service and recognize the incurred labor service cost as the current expense. If no compensation can be obtained for incurred labor service cost, no revenue can be recognized.

#### 3. Demising of asset using rights

The revenue is recognized when the financial benefit in connection with the demising of asset using right was received and the amount can be reliably measured.

#### 4. Construction contracts

On the balance sheet day, the Group recognizes the contract income and costs using the completion percentage method if the result of the construction contract can be reliably estimated. If not, such contracts are treated differently. If the contract cost can be recovered, the revenue is recognized according to the actual contract costs that can be recovered and the contract cost is recognized as the current expense; if not, the contract cost is recognized as the current expense and no revenue is recognized.

If the estimated total costs exceed the total revenue, the Group recognizes the estimated loss as the current expense.

The completion percentage is determined by the share of the costs incurred in the total cost.

The reliable estimation of the result of a construction contract must meet the following conditions: A. the revenue can be reliably

measured; B. the economic benefit is very likely to flow into the company; C. the completion cost can be clearly distinguished and determined reliably; D. the completion and costs that will be incurred for completion of the contract can be reliably recognized.

## (2) Specific revenue recognition method

### ① Construction contracts

Metro screen door projects of the Company and Shenzhen Fangda Automatic System, and curtain wall project of FangdaJianke are individual construction contracts. They are accounted by the following means:

Construction contracts completed within a fiscal year are recognized for their income and cost upon completion.

Income and expenses of the construction contracts carried over-year are recognized on percentage basis at balance sheet day when all of the following conditions are satisfied: contract income can be reliably measured, relative financial benefit can inflow to the Company; progress of the project and costs to complete the contract can be reliably recognized; cost occurred to complete the contract can be clearly distinguished and reliably measured, which enables comparing of actual cost with predicted cost.

Contract costs are direct and indirect expenses occurred since the date when the contract is engaged till the completion day. The competition percentage is determined by the share of the costs incurred in the total cost.

Construction contracts completed in current term are recognized for income according to the actual total income of the contract less income recognized in previous terms; meanwhile, the total costs of the contract less costs recognized in previous terms are recognized as current contract costs. If the total contract cost is predicted to be greater than the predicted total income, the predicted loss shall be recognized as current cost instantly.

Parts of the curtain wall project under FangdaJianke are outsourced, and administrative fees are collected at the agreed rate. For these construction contracts, income will be recognized when ongoing payment for the project is received and corresponding costs are transferred.

### ② Sales product

Revenue of products for domestic sales is recognized when the Group delivers the products and receives the sales payment or obtains the payment voucher; revenue for products for overseas sales is recognized at departure of the products.

### ③ Real estate sales

Income from real estate sales is recognized when the contract is signed and performed, project is developed and completed with the record for the completion acceptance, the handover procedure is completed or property is deemed accepted by the customer as per the property sales contract, the payment is received or it is believed that the payment can be received, and the cost can be measured reliably.

## 23. Government subsidy

### (1) Judgment basis and accounting treatment of assets-related government subsidy

Government subsidy is only recognized when the required conditions are met and the subsidy is received.

When a government subsidy is monetary capital, it is measured at the received or receivable amount. None monetary capital are measured at fair value; if no reliable fair value available, recognized at RMB1.

Government subsidies related to assets are obtained by the Group to purchase, build or formulate in other manners long-term assets; or subsidies related to benefits.

For subsidies that can formulate long-term assets without clear government regulations, the part of the subsidies corresponding to the asset value will be measured as assets-related government subsidies, while the rest of them will be measured as benefit-related government subsidies. Where it is difficult to distinguish them from each other, the whole subsidies will be measured as

benefit-related government subsidies.

If the asset-related government subsidy is recognized as deferred gain, should be recorded in gain and loss in the service life.

## **(2) Judgment basis and accounting treatment of return-related government subsidy**

If a government subsidy related to income is used to compensate for related costs or losses that have occurred, it shall be included in the current profit or loss or write-down related costs; if it is used to compensate for the related costs or losses in the subsequent period, it shall be included in the deferred income. During the period in which the related cost, expense or loss is recognized, it is included in the current profit or loss or the relevant cost is written off. Government subsidy measured at the nominal amount is accounted into current income account. The Group adopts a consistent approach to the same or similar government subsidies.

Government subsidy related to routine operations should be recorded in other gains or offset related cost. Government subsidy not related to routine operations should be recorded in non-operating income or expense.

When a confirmed government subsidy needs to be returned, the book value of the asset is adjusted against the book value of the relevant asset at initial recognition. If there is a related deferred income balance, the book balance of the related deferred income is written off and the excess is credited to the current profit or loss; In other cases, it is directly included in the current profit and loss.

The policy-based preferential loan obtained has interest subsidy. If the government allocates the interest-subsidy funds to the lending bank, the loan amount actually received will be used as the entry value of the loan, and the borrowing cost will be calculated based on the loan principal and policy-based preferential interest rate. If the government allocates the interest-bearing funds directly to the Group, discount interest will offset the borrowing costs.

## **24. Differed income tax assets and differed income tax liabilities**

Income tax includes current and deferred income tax. Except for the adjustment goodwill generated by mergers or deferred income tax related to transactions or events directly accounted into the owners' equity, income tax is accounted as income tax expense into the current gain/loss account.

The Group uses the temporary difference between the book value of the assets and liabilities on the balance sheet day and the tax base and the liabilities method to recognize the deferred income tax.

The taxable temporary difference recognizes the related deferred income tax liabilities, unless the taxable temporary difference is created by the following transactions:

- (1) Initial recognition of goodwill, or of assets or liabilities generated in transactions with the following features: the transaction is not a merger and the transaction does not affect the accounting profit or taxable proceeds;
- (2) For taxable temporary difference related to investment in subsidiaries and affiliates, the reversal timing for the temporary difference can be controlled and the difference is unlikely to be reversed in the foreseeable future.

For deductible temporary difference, deductible loss and tax deduction that can be accounted in subsequent years, the Group recognizes the incurred deferred income tax assets to the extent to the future income tax proceeds that is very likely to be received for deducting deductible temporary difference, deductible loss and tax deduction, unless the deductible temporary difference is generated in following transactions:

(1) the transaction is not a merger and the transaction does not affect the accounting profit or taxable proceeds;

(2) for the taxable temporary difference related to investment in subsidiaries and affiliates, the corresponding deferred income tax assets are recognized when the following condition is met: the temporary difference is very likely to be reversed in the foreseeable future and it is very likely to receive the taxable proceeds that can be used to deduct the deductible temporary difference.

On the balance sheet day, the Group measures the deferred income tax assets and liabilities with the tax rate applicable during the predicted period during which the assets are recovered or the liabilities are paid off and reflects the income tax influence of the assets recovery and liabilities repayment way on the balance sheet day.

On the balance sheet day, the Group re-examines the book value of the deferred income tax assets. If it is unlikely to have adequate taxable proceeds to reduce the benefits of the deferred income tax assets, less the deferred income tax assets' book value. When there is adequate taxable proceeds, the lessened amount will be reversed.

## **25. Leasing**

### **(1) Accounting of operational leasing**

The Group transfers all the risks and rewards attached to the asset at substantially transferred to the lessee, it is recognized as financial leasing, and the others are operational leasing. The Group's lease forms are mainly operating leases.

(1) The Group is the lessor

Rentals from operational leasing are recognized as current gains on straight basis to the periods of leasing. Initial direct expenses are recorded to current income account.

(2) The Group is the lessee

Rentals in operational leasing are recorded to relative capital cost or current income account on straight basis to the periods of leasing. Initial direct expenses are recorded to current income account.

## **26. Other significant accounting policies and estimates**

The Group continuously reviews significant accounting judgment and estimate adopted for the reasonable forecast of future events based on its historical experience and other factors.

Significant accounting judgment and assumptions that may lead to major adjustment of the book value of assets and liabilities in the next accounting year are listed as follows:

(1) Goodwill impairment

The Group judges whether there is impairment to goodwill at least annually. This required valuation of the use value of the asset groups with goodwill. While estimating the use value, the Group needs to estimate the cash flow from the asset group in the future and choose the proper discount rate to calculate the present value of the future cash flow.

(2) Estimate of fair value

The Group uses fair value to measure investment real estate and needs to estimate the fair value of investment real estate at least quarterly. This requires the management to reasonably estimate the fair value of the investment real estate with the help of valuation experts.

(3) Deferred income tax assets

If there is adequate taxable profit to deduct the loss, the deferred income tax assets should be recognized by all the unused tax loss. This requires the management to make a lot of judgment to forecast the time and amount of future taxable profit and determine the amount of the deferred tax assets based on the taxation strategy.

(4) Construction contracts

The Group recognizes income based on the completion of individual construction contract. The management determines the completion percentage based on the actual cost in the total budget and forecasts the contract income. The starting and completion dates of construction contracts fall in different account periods. The Group will review and adjust contract income and cost estimation in budgets (if the actual contract income is less than the estimate or actual contract cost, contract estimation loss provision will be made).

(5) Development cost

For property that has been handed over with income recognized, but whose public facilities have not been constructed or not been completed, the management will estimate the development cost for the part that has not been started according to the budget to reflect the operation result of the property sales.

(6) Accounting of hedging

When the hedge relationship begins, the Group specifies the hedge relationship in writing to specify the follow: risks management target and hedging strategy; nature of the hedged item and quantity; nature and quantity of hedging instruments, nature and identification of hedged risks; evaluation of the hedging effectiveness, including the economic relationship between the hedged item and hedging instrument, hedging ratio, analysis of the hedging ineffectiveness source; the beginning date of the specified hedging relationship.

Cash flow hedging

During the existence of the hedging relationship, the part of the cumulative gain or loss of the hedging instrument within the change to the current value of the cumulative cash flow of the hedged item is included into other misc. incomes. The part that is lower or larger than the cash flow change is included into the gain or loss of the current period.

When the hedging relationship ends and related inventory is recognized, the hedging instrument gain or loss recognized in “Other misc. income hedging reserve” will be transferred to “Raw materials”.

## 27. Major changes in accounting policies and estimates

### (1) Changes in accounting policies

☒ Applicable ☐ Inapplicable

Account policy changes and reasons	Approval procedure	Notes
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<p>According to the Notice of the Ministry of Finance on Revising the Format of the 2018 Annual General Financial Statements of the Company (Accounting 2018 No. 15) the original "Announceable Notes" and "Accounts Receivable" line items will be consolidated into the "balance sheet" in the balance sheet. "Notes receivable and accounts receivable"; the original "receivable interest" and "dividends receivable" items are merged into "other receivables"; the original "fixed assets clean-up" items are merged into "fixed assets"; the original "engineering material" item will be merged into "construction in progress"; the original "payable bills" and "payables" items will be consolidated into "payable bills payables and accounts payable" items; the original "payable interest" and "payable dividend" will be merged into "other receivables"; the original "special payables" item is merged into "long-term payables". In the income statement the "R&amp;D expenses" are separated from the original "administrative expenses"; under the "finance expenses" line item the "interest expense" and "interest income" detailed items are separately listed; the original "re-measurement setting benefits" The change of the plan net debt or net assets is replaced by the "re-measurement of the change in the defined benefit plan"; the original "share under the equity method that cannot be reclassified into other comprehensive income of the investee and the profit and loss" is changed to "equity". Other comprehensive income that cannot be transferred to profit or loss under the law"; the original share of the other comprehensive income that is reclassified into profit or loss after the investee is changed to the other comprehensive income of the convertible profit and loss</p>	<p>13<sup>th</sup> meeting of the 8<sup>th</sup> Supervisory Committee</p>	
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under the equity method. In the statement of changes in owner's equity under the "internal transfer of shareholders' equity", item the original "transfer re-measurement of changes in net liabilities or net assets of defined benefit plans" was changed to "transfer of retained profit from change in set benefit program".		
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The revision of the financial statement format has no impact on the Group's total assets total liabilities, net profit and other comprehensive income.

## VI. Taxation

### 1. Major taxes and tax rates

Tax	Tax basis	Tax rate
VAT	Taxable income	3%、5%、6%、10%、11%、13%、16%、17%
Consumption tax		
City maintenance and construction tax	Taxable turnover	1%、5%、7%
Enterprise income tax	Taxable turnover	See the following table
Education surtax	Taxable turnover	3%
Local education surtax	Taxable turnover	2%

Tax rates applicable for different tax payers

Tax payer	Income tax rate
The Company	25%
Shenzhen FangdaJianke Co., Ltd. (hereinafter FangdaJianke)	15%
Shenzhen Fangda Automatic System Co., Ltd. (hereinafter Fangda Automatic)	15%
Fangda New Material (Jiangxi) Co., Ltd. (hereinafter Fangda New Material)	15%
Dongguan Fangda New Material Co., Ltd. (hereinafter Dongguan New Material)	15%
Shenzhen Kexunda Software Co., Ltd. (hereinafter Kexunda)	25%
Chengdu Fangda Construction Technology Co., Ltd. (hereinafter Chengdu Fangda)	15%
Fangda Decoration Engineering (Shenyang) Co., Ltd. (hereinafter Shenyang Decoration)	25%
Shenzhen Fangda Property Development Co., Ltd. (hereinafter	25%



Fangda Property Development)	
Shenzhen Fangda New Energy Co., Ltd. (hereinafter Fangda New Energy)	25%
Shenzhen Fangda Property Development Co., Ltd. (hereinafter Fangda Property Development)	25%
Jiangxi Fangda Property Development Co., Ltd. (hereinafter Jiangxi Property Development)	25%
PingxiangFangdaLuxin New Energy Co., Ltd. (hereinafter Luxin New Energy)	25%
PingxiangXiangdongFangda New Energy Co., Ltd. (hereinafter Xiangdong New Energy)	25%
Nanchang Xinjian Fangda New Energy Co., Ltd. (hereinafter Xinjian New Energy)	25%
Dongguan Fangda New Energy Co., Ltd. (hereinafter Dongguan New Energy)	25%
Shenzhen QianhaiKechuangyuan Software Co., Ltd. (hereinafter Kechuangyuan Software)	15%
Fangda Automatic (Hong Kong) Co., Ltd. (hereinafter Automation Hong Kong)	16.50%
Shihui International Holding Co., Ltd. (hereinafter Shihui International)	16.50%
Shenzhen Hongjun Investment Co., Ltd.	25%
Fangda Australia Pty Ltd (hereinafter Jianke Australia)	30%
Shanghai Fangda Jingling Technology Co., Ltd. (hereinafter Jingling Technology)	25%
Shenzhen Fangda Cloud Rail Technology Co., Ltd. (hereinafter Fangda Cloud Rail)	25%

## 2. Tax preference

(1) According to the Certification of High-tech Enterprise issued by Shenzhen Commission of Technological Innovation, Shenzhen Commission of Finance, Shenzhen National Tax Bureau, and Shenzhen Local Tax Bureau on 19.06.15, FangdaJianke was entitled to enjoy a tax preference of enterprise income tax of 15% for three years (2015-2017) since the qualifications were awarded.

(2) According to the Certification of High-tech Enterprise issued by Shenzhen Commission of Technological Innovation, Shenzhen Commission of Finance, Shenzhen National Tax Bureau, and Shenzhen Local Tax Bureau on 19.06.15, Fangda Decoration was entitled to enjoy a tax preference of enterprise income tax of 15% for three years (2015-2017) since the qualifications were awarded.

(3) According to the Certification of High-tech Enterprise issued by Jiangxi Ministry of Science and Technology, Jiangxi Ministry of Finance, Jiangxi National Tax Bureau, and Jiangxi Local Tax Bureau on 25.09.15, Fangda New Material was entitled to enjoy a tax preference of enterprise income tax of 15% for three years (2015-2017) since the qualifications were awarded.

(4) On December 25, 2013, Kexunda was certified by Shenzhen Nanshan National Tax Bureau as a software and integrated circuit designer according to the Shenzhen National Tax Reduction Registration [2013] No.739 and will enjoy exemption from the enterprise income tax for two years and 50% reduction of the same tax for another three years from the year that the company starts making a net profit. Kexunda started making profits in 2013 and therefore starts to enjoy the exemption. Kexunda entered the semi-exemption period in 2015.

(5) On November 7, 2014, Chengdu Fangda was certified by Sichuan Xinjin National Tax Bureau as an encourage industry company in the west China (Xin Jin National Tax Doc. [zzy024]) and started to enjoy a tax rate of 15%.

(6) On 02.11.15, Dongguan New Energy was certified by Dongguan National Tax Bureau Songshanhu branch as the national supported public infrastructure project according to the Song Shan Hu Tax Doc [2015] 3305. The company is exempted from enterprise income tax for three years and halfly exempted for another three years. In 2015, the company entered the exemption period.

(7) On 02.03.16, according to the document issued by Luxi National Tax Bureau, the PV power generation project undertaken by PingxiangFangdaLuxin New Energy Co., Ltd, became the infrastructure project supported by the central government. The company enjoys a three-year enterprise income tax relief and 50% reduction for another three years. In 2016, the company entered the exemption period.

(8) On 02.06.16, according to the document issued by Nanchang Xinjian District National Tax Bureau, the PV power generation project undertaken by subsidiary Xinjian New Energy Company, became the infrastructure project supported by the central government. The company enjoys a three-year enterprise income tax relief and 50% reduction for another three years. In 2016, the company entered the exemption period.

(9) On 10.03.17, according to the registration to Shenzhen National Tax Bureau, subsidiary Kechuangyuan Software became a newly established software and integrated circuit designing company and can enjoy the two-year full exemption and three-year half-exemption of the enterprise income tax from the first year that the company records profit. Kexunda started making profits in 2016 and therefore starts to enjoy the exemption.

(10) According to the Certification of High-tech Enterprise issued by Guangdong Ministry of Science and Technology, Guangdong Ministry of Finance, Guangdong National Tax Bureau, and Guangdong Local Tax Bureau on 25.09.15, Dongguan New Material was entitled to enjoy a tax preference of enterprise income tax of 15% for three years (2016-2018) since the qualifications were awarded.

Note: Explain the main tax incentives and the basis.

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.12 – Listed Companies Engaged in Software And Information Technology Services.

Note: Disclose the tax incentives enjoyed by the company during the reporting period such as software VAT refunds and the impact of relevant tax incentives on the company's current profit and loss.

## VII. Notes to the consolidated financial statements

### 1. Monetary capital

In RMB

Item	Closing balance	Opening balance
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Inventory cash:	5,167.01	42,636.09
Bank deposits	994,706,369.72	923,163,199.39
Other monetary capital	394,350,547.03	257,192,644.03
Total	1,389,062,083.76	1,180,398,479.51
Including: total amount deposited in overseas	25,269,577.35	24,527,445.09

Other note

Note: 1. The book balance of other monetary funds at the end of the period is RMB394,350,547.03 mainly including money deposits such as money order deposits, stage deposit guarantees guarantee, letters deposits of investment funds and repurchase payments of B shares.

(2) The deposit and frozen deposit shall not be treated as cash and cash equivalent in the preparation of cash flow statements.

3. At the end of the period, the Group's total amount deposited abroad was RMB25,269,577.35.

## 2. Financial assets measured at fair value with variations accounted into current income account

In RMB

Item	Closing balance	Opening balance
None		

Others:

## 3. Derivative financial assets

☒ Applicable ☐ Inapplicable

Item	Closing balance	Opening balance
None		
Total		

Others:

## 4. Receivable note and accounts receivable

In RMB

Item	Closing balance	Opening balance
Notes receivable	140,139,692.84	39,636,437.20
Account receivable	1,920,075,031.85	1,920,372,426.16
Total	2,060,214,724.69	1,960,008,863.36

### (1) Notes receivable

1) Classification of notes receivable

In RMB

Item	Closing balance	Opening balance
Bank acceptance	6,000,000.00	12,376,780.96
Commercial acceptance	134,139,692.84	27,259,656.24
Total	140,139,692.84	39,636,437.20

2) The Group has no endorsed or discounted immature receivable notes at the end of the period.

In RMB

Item	De-recognized amount	Not de-recognized amount
Bank acceptance	380,388,612.28	
Commercial acceptance	31,828,098.96	
Total	412,216,711.24	

3) Notes transferred to accounts receivable due to default of the issue at the end of period

In RMB

Item	Amount transferred to accounts receivable at the end of the period
Commercial acceptance	5,960,429.45
Total	5,960,429.45

Other note

There is no objective evidence that the Group's bills receivable are impaired and no provision for impairment of bills receivable has been accrued.

## (2) Account receivable

1) Account receivable disclosed by categories

In RMB

Type	Closing balance					Opening balance				
	Remaining book value		Bad debt provision		Book value	Remaining book value		Bad debt provision		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Account receivable with major individual amount and bad debt provision provided individually	124,412,527.57	5.44%	124,412,527.57	100.00%						

Recognition and providing of bad debt provisions on groups	2,159,461,958.27	94.45%	239,386,926.42	11.09%	1,920,075,031.85	2,123,268,342.78	99.38%	202,895,916.62	9.56%	1,920,372,426.16
Account receivable with minor individual amount and bad debt provision provided individually	2,624,629.35	0.11%	2,624,629.35	100.00%		13,339,659.73	0.62%	13,339,659.73	100.00%	
Total	2,286,499,115.19	100.00%	366,424,083.34	16.03%	1,920,075,031.85	2,136,608,002.51	100.00%	216,235,576.35	10.12%	1,920,372,426.16

Account receivable with major individual amount and bad debt provision provided individually at the end of the period:

√ Applicable □ Inapplicable

In RMB

Account receivable (by unit)	Closing balance			
	Account receivable	Bad debt provision	Provision rate	Reason
Customer 1	54,442,394.96	54,442,394.96	100.00%	Customer credit status deteriorates and is not expected to be recovered
Customer 2	21,801,697.06	21,801,697.06	100.00%	Customer credit status deteriorates and is not expected to be recovered
Customer 3	15,239,752.83	15,239,752.83	100.00%	Customer credit status deteriorates and is not expected to be recovered
Customer 4	23,857,146.77	23,857,146.77	100.00%	Customer credit status deteriorates and is not expected to be recovered
Customer 5	9,071,535.95	9,071,535.95	100.00%	Customer credit status deteriorates and is not expected to be recovered
Total	124,412,527.57	124,412,527.57	--	--

In the group, the account receivable of which bad debt provision is made through the account aging method:

√ Applicable □ Inapplicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt provision	Provision rate
Sub-item of within 1 year			
Less than 1 year	1,082,115,648.39	13,065,923.26	1.21%

Subtotal for less than 1 year	1,082,115,648.39	13,065,923.26	1.21%
1-2 years	401,968,099.93	21,020,394.92	5.23%
2-3 years	436,756,513.66	71,350,948.10	16.34%
3-4 years	111,421,602.78	33,586,546.63	30.14%
4-5 years	53,720,020.01	26,883,040.01	50.04%
Over 5 years	73,480,073.50	73,480,073.50	100.00%
Total	2,159,461,958.27	239,386,926.42	11.09%

Group recognition basis:

Account receivable adopting the balance percentage method in the group

☐ Applicable ☒ Inapplicable

In RMB

2) Bad debt provision made, returned or recovered in the period

A bad debt provision of RMB156,134,375.83 was made in the period. RMB1,090,673.03 was recovered or reversed.

(3) Written-off account receivable during the period

In RMB

Item	Amount
Account receivable written off	4,855,195.81

4) Balance of top 5 accounts receivable at the end of the period

The total balance of top-five accounts receivable at the end of the period is RMB425,364,678.31, accounting for 18.60 % of the total remaining balance of all accounts receivable. The bad debt provision made at the end of the period is RMB26,324,536.97.

5) Receivables derecognized due to transfer of financial assets

Item	Way of transfer	De-recognized amount	Gain or loss related to the de-recognition
Customer 1	Factoring	18,251,388.31	-1,068,836.06
Customer 2	Factoring	25,042,803.45	-1,513,194.75
Customer 3	Factoring	840,775.56	-50,700.63
Customer 4	Factoring	11,040,000.00	-605,354.30
Customer 5	Factoring	3,368,796.73	-224,704.23
Customer 6	Factoring	42,213,084.55	-3,177,891.80
Customer 7	Factoring	607,394.44	-40,708.68
Customer 8	Factoring	2,783,273.27	
Total		104,147,516.31	-6,681,390.45

## 5. Prepayment

### (1) Account age of prepayments

In RMB

Age	Closing balance	Opening balance
-----	-----------------	-----------------

	Amount	Proportion	Amount	Proportion
Less than 1 year	43,589,102.44	93.82%	45,346,974.64	82.93%
1-2 years	1,521,693.56	3.28%	7,891,890.96	14.43%
2-3 years	444,183.24	0.96%	679,375.39	1.24%
Over 3 years	899,865.50	1.94%	762,028.85	1.40%
Total	46,454,844.74	--	54,680,269.84	--

Explanation of non-settlement of significant prepayments with an accounting age of more than 1 year:

## (2) Balance of top 5 prepayments at the end of the period

The total of top5 prepayments in terms of the prepaid entities in the period is RMB20,943,782.68, accounting for 45.08 % of the total prepayments at the end of the period.

Others:

## 6. Other receivables

In RMB

Item	Closing balance	Opening balance
Interest receivable		3,829,315.07
Other receivables	139,990,188.26	57,075,357.62
Total	139,990,188.26	60,904,672.69

Note: The other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

### (1) Receivable interest

1) Receivable interest

In RMB

Item	Closing balance	Opening balance
Bank financial products		3,829,315.07
Total		3,829,315.07

Others:

### (2) Other receivables

1) Other receivables disclosed by categories

In RMB

Type	Closing balance			Opening balance		
	Remaining book value	Bad debt provision	Book value	Remaining book value	Bad debt provision	Book value

	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Other receivables with major individual amount and bad debt provision provided individually	13,030,000.00	7.20%	13,030,000.00	100.00%		69,380,548.52	48.04%	69,380,548.52	100.00%	
(2) Recognition and providing of bad debt provisions on groups	166,934,905.77	92.29%	26,944,717.51	16.14%	139,990,188.26	74,563,729.50	51.62%	17,681,770.19	23.71%	56,881,959.31
Other receivables with minor individual amount and bad debt provision provided individually	910,319.94	0.50%	910,319.94	100.00%		495,772.63	0.34%	302,374.32	60.99%	193,398.31
Total	180,875,225.71	100.00%	40,885,037.45	22.60%	139,990,188.26	144,440,050.65	100.00%	87,364,693.03	60.49%	57,075,357.62

Other receivables with major individual amount and bad debt provision provided individually at the end of the period:

☒ Applicable ☐ Inapplicable

In RMB

Other receivables (by entity)	Closing balance			
	Other receivables	Bad debt provision	Provision rate	Reason
Luo Huichi	13,030,000.00	13,030,000.00	100.00%	Cannot be recovered because of insolvency
Total	13,030,000.00	13,030,000.00	--	--

In the group, the other receivables of which bad debt provision are made through the account aging method:

☒ Applicable ☐ Inapplicable

In RMB

Age	Closing balance		
	Other receivables	Bad debt provision	Provision rate
Sub-item of within 1 year			
Less than 1 year	111,956,747.01	3,358,702.39	3.00%
Subtotal for less than 1 year	111,956,747.01	3,358,702.39	3.00%
1-2 years	23,384,207.79	2,338,420.79	10.00%
2-3 years	4,963,977.00	1,489,193.10	30.00%
3-4 years	13,260,109.05	6,630,054.53	50.00%
4-5 years	1,207,591.07	966,072.85	80.00%
Over 5 years	12,162,273.85	12,162,273.85	100.00%



Total	166,934,905.77	26,944,717.51	16.14%
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Group recognition basis:

Other receivables adopting the balance percentage method in the group:

☐ Applicable ☒ Inapplicable

Other receivables adopting other methods in the group

☐ Applicable ☒ Inapplicable

2) Bad debt provision made, returned or recovered in the period

A bad debt provision of RMB10,912,038.13 was made in the period. RMB1,002,086.51 was recovered or reversed.

3) Other receivable written off in the current period

In RMB

Item	Amount
Other receivable written off	56,389,607.20

Including significant other receivable:

In RMB

Entity	Nature	Amount	Reason	Writing-off procedure	Related transaction
SOZN	Debt	56,230,548.52	SOZN in a business state of suspension and the debt cannot be repaid	Approved by the senior management	No
Total	--	56,230,548.52	--	--	--

Notes to written-off other receivables:

4) Other receivables are disclosed by nature

In RMB

By nature	Closing balance of book value	Opening balance of book value
Deposit	113,697,386.43	48,666,321.95
Construction borrowing and advanced payment	32,493,474.69	8,721,385.12
Staff borrowing and petty cash	2,717,122.22	5,532,782.96
Receivable refund of VAT	1,334,691.51	445,607.69
Debt of SOZN		56,230,548.52
Luo Huichi	13,030,000.00	13,150,000.00
Others	17,602,550.86	11,693,404.41
Total	180,875,225.71	144,440,050.65

5) Balance of top 5 other receivables at the end of the period

In RMB

Entity	By nature	Closing balance	Age	Percentage (%)	Balance of bad debt
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					provision at the end of the period
Shenzhen Yikang Real Estate Co. Ltd.	Deposit/advancement of service fee	70,000,000.00	Less than 1 year	38.70%	2,100,000.00
Bangshen Electronics (Shenzhen) Co., Ltd.	Deposit	20,000,000.00	1-2 years	11.06%	2,000,000.00
Luo Huichi	Advancement	13,030,000.00	3-4 years	7.20%	13,030,000.00
Wang Weihong	Advanced construction fee	9,281,670.75	Over 5 years	5.13%	9,281,670.75
Shenzhen ZhongrongLitai Investment Co., Ltd.	Deposit	8,580,127.08	Less than 1 year	4.74%	257,403.81
Total	--	120,891,797.83	--	66.83%	26,669,074.56

## 7. Inventories

Note: If the Company needs to comply with the real estate industry disclosure requirements, choose Yes or refer to the disclosure. If the Company does not need to comply with other industry disclosure requirements, choose No.

Whether the Company needs to comply with disclosure requirements of the real estate industry.

Yes

### (1) Classification of inventories

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.3 – Listed Companies Engaged in Property Development.

Classified by nature:

In RMB

Item	Closing balance			Opening balance		
	Remaining book value	Depreciation provision	Book value	Remaining book value	Depreciation provision	Book value
Inventory equipment						
Development cost	232,622,862.96		232,622,862.96	209,395,947.66		209,395,947.66
Development products	235,332,474.86	62,777,961.10	172,554,513.76	337,505,615.12		337,505,615.12
Development of product by stages						
Development of product for lease						

Turnover house						
Raw materials	61,897,942.32	608,404.99	61,289,537.33	60,999,279.59	55,182.86	60,944,096.73
Product in process	24,655,294.74		24,655,294.74	31,718,230.82		31,718,230.82
Finished goods in stock	5,611,267.61		5,611,267.61	11,569,608.79		11,569,608.79
Assets unsettled for finished construction contracts	153,610,458.94	1,603,589.59	152,006,869.35	166,288,661.69		166,288,661.69
Low price consumable	25,215.87		25,215.87	41,725.37		41,725.37
OEM materials	2,640,270.67		2,640,270.67	2,147,074.49		2,147,074.49
Total	716,395,787.97	64,989,955.68	651,405,832.29	819,666,143.53	55,182.86	819,610,960.67

Development cost and capitalization rate of its interest are disclosed as follows:

In RMB

Project	Starting time	Estimated finish time	Estimated total investment	Opening balance	Transferred to development product in this period	Other decrease in this period	Increase (development cost) in this period	Closing balance	Accumulative capitalized interest	Including: capitalized interest for the current period	Capital source
Jiangxi Phoenix Land project	10.07.18	12.12.19	670,000,000.00	209,395,947.66			2,326,915.30	232,622,862.96			
Total	--	--	670,000,000.00	209,395,947.66			2,326,915.30	232,622,862.96			--

Note: For the untapped land, the estimated start-up time should be disclosed;

Disclose the main project information of "Development Products" according to the following format:

In RMB

Project	Completion time	Opening balance	Increase	Decrease	Closing balance	Accumulative capitalized interest	Including: capitalized interest for the current period
Phase I of Fangda Town	29.12.16	337,505,615.12	106,006,353.65	208,179,493.91	235,332,474.86	76,421,652.26	7,292,522.11

Total	--	337,505,615.12	106,006,353.65	208,179,493.91	235,332,474.86	76,421,652.26	7,292,522.11
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## (2) Inventory depreciation provision

The inventory depreciation provision is disclosed as follows:

Classified by nature:

In RMB

Item	Opening balance	Increase in this period		Decrease in this period		Closing balance	Notes
		Provision	Others	Recover or write-off	Others		
Inventory equipment							
Development cost							
Development products		62,777,961.10				62,777,961.10	
Development of product by stages							
Development of product for lease							
Turnover house							
Raw materials	55,182.86	553,222.13				608,404.99	
Assets unsettled for finished construction contracts		1,603,589.59				1,603,589.59	
Total	55,182.86	64,934,772.82				64,989,955.68	--

## (3) Capitalization rate of interest in the closing inventory balance

The balance at the end of the period includes capitalization of borrowing expense of Fangda Town project of RMB11,390,214.83.

The capitalization amount of cumulative borrowing expenses is RMB118,293,158.25, of which RMB7,292,522.11 occurred in this year.

## (4) Assets unsettled for finished construction contracts at the end of the period

In RMB

Item	Amount
Accumulative occurred costs	7,561,328,155.99
Accumulative recognized gross margin	1,134,698,206.05

Less: estimated loss	1,603,589.59
Settled amount	8,542,415,903.10
Assets unsettled for finished construction contracts	152,006,869.35

Others:

Whether Company needs to comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.4 – Listed Companies Engaged in Seed and Plantation Business

No

## 8. Other current assets

In RMB

Item	Closing balance	Opening balance
Overpaid or prepaid VAT	264,337.68	2,233,706.21
Input tax to be deducted	38,782,071.20	31,554,835.73
Tax to be input	12,498,193.14	228,552.26
Bank financial products		400,000,000.00
Prepaid income tax	3,469.12	5,861,896.52
Other prepaid taxes		11,502.34
Others	150,040.00	
Total	51,698,111.14	439,890,493.06

Others:

## 9. Sellable financial assets

### (1) Sellable financial assets

In RMB

Item	Closing balance			Opening balance		
	Remaining book value	Impairment provision	Book value	Remaining book value	Impairment provision	Book value
Sellable equity instruments:						
Sellable equity instruments:	28,562,575.67	6,888,567.44	21,674,008.23	28,562,575.67		28,562,575.67
Measured at fair value						
Measured at cost	28,562,575.67	6,888,567.44	21,674,008.23	28,562,575.67		28,562,575.67

Total	28,562,575.67	6,888,567.44	21,674,008.23	28,562,575.67		28,562,575.67
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## (2) Sellable financial assets messaged at costs at the end of the period

In RMB

Invested entity	Remaining book value				Impairment provision				Shareholding in the invested entity	Cash dividend in the period
	Beginning of the period	Increase	Decrease	Closing balance	Beginning of the period	Increase	Decrease	Closing balance		
Shenyang Fangda	28,562,575.67			28,562,575.67		6,888,567.44		6,888,567.44	64.58%	
Total	28,562,575.67			28,562,575.67		6,888,567.44		6,888,567.44	--	

## 10. Long-term share equity investment

In RMB

Invested entity	Opening balance	Change (+,-)								Closing balance	Balance of impairment provision at the end of the period
		Increased investment	Decreased investment	Investment gain and loss recognized using the equity method	Other miscellaneous income adjustment	Other equity change	Cash dividend or profit announced	Impairment provision	Others		
1. Joint venture											
2. Associate											
Shenzhen Ganshang Joint Investment Co., Ltd.	8,472,360.71			-121,179.93						8,351,180.78	
Shenzhen Huihai Yirong Internet Service Co., Ltd.	6,469,694.91			-398,109.63						6,071,585.28	
Jiangxi Business	19,200,000.00	36,800,000.00		-317,108.18						55,682,891.82	

Innovative Property Joint Stock Co., Ltd.											
Subtotal	34,142,055.62	36,800,000.00		-836,397.74						70,105,657.88	
Total	34,142,055.62	36,800,000.00		-836,397.74						70,105,657.88	

Other note

In this period, the subsidiary Hongjun Investment added a new investment of RMB 36.80 million to Jiangxi Business Innovative Property Joint Stock Co., Ltd., holding 16% of the shares and appointing a director on the board of directors.

## 11. Investment real estates

### (1) Investment real estate measured at costs

√ Applicable □ Inapplicable

In RMB

Item	Houses & buildings	Land using right	Construction in process	Total
I. Book value				
1. Opening balance	767,970,582.63			767,970,582.63
2. Increase in this period	136,142,663.31			136,142,663.31
(1) External purchase				
(2) Transfer-in from inventory\fixed assets\construction in progress	136,142,663.31			136,142,663.31
(3) Increase due to enterprise merger				
3. Decrease in this period	870,736,969.53			870,736,969.53
(1) Purchase				
Other transfer-out	870,736,969.53			870,736,969.53

4. Closing balance	33,376,276.41			33,376,276.41
II. Accumulative depreciation and amortization				
1. Opening balance	6,455,037.77			6,455,037.77
2. Increase in this period	1,374,899.51			1,374,899.51
(1) Provision or amortization	848,370.54			848,370.54
(2) Other increases	526,528.97			526,528.97
3. Decrease in this period				
(1) Purchase				
Other transfer-out				
4. Closing balance	7,829,937.28			7,829,937.28
III. Impairment provision				
1. Opening balance				
2. Increase in this period				
(1) Provision				
3. Decrease in this period				
(1) Purchase				
Other transfer-out				
4. Closing balance				
IV. Book value				
1. Closing book value	25,546,339.13			25,546,339.13
2. Opening book value	761,515,544.86			761,515,544.86

**(2) Investment real estate measured at fair value**

√ Applicable □ Inapplicable



In RMB

Item	Houses & buildings	Land using right	Construction in process	Total
I. Opening balance	1,492,278,859.69			1,492,278,859.69
II. Change in this period				
Add: external purchase				
Transfer-in from inventory\fixed assets\construction in progress	827,038,833.33			827,038,833.33
Increase due to enterprise merger				
Less: disposal	5,343,905.00			5,343,905.00
Other transfer-out				
Change in fair value	2,916,922,279.48			2,916,922,279.48
III. Closing balance	5,230,896,067.50			5,230,896,067.50

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.3 – Listed Companies Engaged in Property Development.

Disclosure of investment real estate measured at fair value by projects

In RMB

Project	Location	Building area	Rental income in the report period	Opening fair value	Closing fair value	Change in fair value	Reason for the change and report
Fangda Building	Shenzhen	18739.12	23,145,602.63	307,321,568.00	309,195,840.00	6.10%	The fair value of the investment real estate is determined based on Shenzhen Wenji Land and Property Evaluation Doc. 深文集评字 (2019)AF 第 0001 号 Real Estate Valuation Report.
Commercial podium of Fangda Town	Shenzhen	22565.42	9,749,063.27	1,183,330,834.69	1,261,406,978.00	6.60%	The fair value of the investment real estate is determined based on Shenzhen

							Wenji Land and Property Evaluation Doc. 深文集评字 (2019)AF 第 0001 号 Real Estate Valuation Report.
Building 1# of Fangda Town	Shenzhen	72517.71			3,663,804,819.01		The fair value of the investment real estate is determined based on Shenzhen Wenji Land and Property Evaluation Doc. 深文集评字 (2019)AF 第 0001 号 Real Estate Valuation Report.
Total	—	113822.25	32,894,665.90	1,490,652,402.69	5,234,407,277.01	351.15%	—

Note: If the fair value changes more than 10% during the reporting period, the reasons for the change in the comparable items should be disclosed. In the report period, the gains and losses from changes in the fair value of investment real estate accounted for more than 30% of the company's latest audited net profit. The investment property fair value assessment report or market value research report shall be separately disclosed.

Whether there is new investment real estate measured at fair value in the report period

√ Yes ☐ No

Newly-added investment real estate measured by fair value in the current period:

In RMB

Project	Original accounting method	Original book value	Recorded fair value	Closing fair value	Different handling method and basis
Building 1# of Fangda Town	Cost measurement	825,830,031.78	825,830,031.78	3,663,804,819.01	Balance into the profits and losses of the changes in fair value of the additional investment real estate belongs to own for rental housing, is expected to be carried out in accordance with the actual cost of initial measurement and subsequent evaluation value changes into the profits and losses of the changes in fair value.

Total	—	825,830,031.78	825,830,031.78	3,663,804,819.01	—
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### (3) Investment real estate without ownership certificate

In RMB

Item	Book value	Reason
Fangda Square phase 2 (building 1#)	3,663,804,819.01	Conditions for applying for property right are not met

Other note

## 12. Fixed assets

In RMB

Item	Closing balance	Opening balance
Fixed assets	455,274,241.83	468,118,279.18
Disposal of fixed assets		
Total	455,274,241.83	468,118,279.18

Note: The fixed assets in the above table refer to the fixed assets after deducting the fixed assets.

### (1) Fixed assets

In RMB

Item	Houses & buildings	PV power plants	Mechanical equipment	Transportation facilities	Electronics and other devices	Total
I. Original book value:						
1. Opening balance	352,537,411.13	129,638,636.81	119,041,075.24	20,314,073.83	47,717,030.59	669,248,227.60
2. Increase in this period	24,742,061.53	125,192.31	4,238,327.21	815,006.51	3,219,992.67	33,140,580.23
(1) Purchase		125,192.31	4,238,327.21	694,189.51	1,698,273.38	6,755,982.41
(2) Transfer-in of construction in progress						
(3) Increase due to enterprise merger						
Other increases	24,742,061.53			120,817.00	1,521,719.29	26,384,597.82

3. Decrease in this period	18,311,236.45	165,693.54	1,823,356.57	936,659.08	275,657.03	21,512,602.67
(1) Disposal or retirement	16,651,431.69	84,500.00	109,410.30	936,659.08	275,657.03	18,057,658.10
(2) Investment real estate transfer-out	1,659,804.76					1,659,804.76
(3) Other decrease		81,193.54	1,713,946.27			1,795,139.81
4. Closing balance	358,968,236.21	129,598,135.58	121,456,045.88	20,192,421.26	50,661,366.23	680,876,205.16
II. Accumulative depreciation						
1. Opening balance	56,287,505.21	9,896,036.60	95,637,048.49	13,893,304.21	24,061,664.41	199,775,558.92
2. Increase in this period	9,952,093.44	6,157,641.13	3,703,280.66	1,617,488.53	3,908,246.04	25,338,749.80
(1) Provision	9,839,996.04	6,157,641.13	3,703,280.66	1,483,426.20	2,632,111.62	23,816,455.65
(2) Other increases	112,097.40			134,062.33	1,276,134.42	1,522,294.15
3. Decrease in this period	1,306,240.45	0.00	1,614,593.30	807,215.99	228,201.77	3,956,251.51
(1) Disposal or retirement	779,711.48		97,689.26	807,215.99	228,201.77	1,912,818.50
(2) Investment real estate transfer-out	526,528.97					526,528.97
(3) Other decrease			1,516,904.04			1,516,904.04
4. Closing balance	64,933,358.20	16,053,677.73	97,725,735.85	14,703,576.75	27,741,708.68	221,158,057.21
III. Impairment provision						
1. Opening balance			1,354,389.50			1,354,389.50
2. Increase in	3,089,516.62					3,089,516.62

this period						
(1) Provision	3,089,516.62					3,089,516.62
3. Decrease in this period						
(1) Disposal or retirement						
4. Closing balance	3,089,516.62		1,354,389.50			4,443,906.12
IV. Book value						
1. Closing book value	290,945,361.39	113,544,457.85	22,375,920.53	5,488,844.51	22,919,657.55	455,274,241.83
2. Opening book value	296,249,905.92	119,742,600.21	22,049,637.25	6,420,769.62	23,655,366.18	468,118,279.18

## (2) Fixed assets without ownership certificate

In RMB

Item	Book value	Reason
Houses in Urumuqi for offsetting debt	525,188.43	Historical reasons
Yuehai Office Building C 502	136,705.17	Historical reasons
Tianjin Wanda Center, office building, 15th floor 1507	3,536,190.00	In the process of applying for property right certificate

Other note

- On 31.12.18, the cumulative depreciation of the original value of RMB60,287,329.40 in the Group's houses and buildings is RMB8,988,711.82. The net value of RMB51,298,617.58 has been pledged to Shenzhen OCT branch of China Construction Bank. The relevant borrowing has been repaid, but the pledge has not been released.
- In the current period, the increase in housing and other buildings was caused by FangdaJianke, a subsidiary of the company, which received the property of Tianjin Wanda Center and the other reduction of housing and buildings which was caused by Fangda New Materials Co. Ltd. to transfer the leased property to investment real estate this year.
- In the current period, other increases in other fixed assets such as machinery and equipment and other reductions were caused by the reclassification of the fixed assets category of the subsidiary FangdaJianke.

## 13. Construction in process

In RMB

Item	Closing balance	Opening balance
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Construction in process	58,269,452.72	2,668,198.62
Engineering materials		
Total	58,269,452.72	2,668,198.62

Note: The construction in progress in the above table refers to the construction in progress after deducting the construction materials.

### (1) Construction in progress

In RMB

Item	Closing balance			Opening balance		
	Remaining book value	Impairment provision	Book value	Remaining book value	Impairment provision	Book value
Xiabu 20MWp PV power plant project				1,703,080.57		1,703,080.57
ChengdaFangda's Xinjin energy-saving green curtain wall project	14,150,785.10		14,150,785.10	965,118.05		965,118.05
4th and 39th floors of Building 1 of Fangda Town	42,648,816.23		42,648,816.23			
Fangda Group East China Construction Base Project	1,368,127.25		1,368,127.25			
PingxiangXuanfengChayuan Photovoltaic Power Plant Network Security Protection and Increased Dispatching Data Network Technical Transformation Project	101,724.14		101,724.14			
Total	58,269,452.72		58,269,452.72	2,668,198.62		2,668,198.62

(2) Changes in major construction in process in this period

In RMB

Project	Budget	Opening balance	Increase in this period	+Amount transfer-in to fixed assets in this period	Other decrease in this period	Closing balance	Proportion of accumulative engineering investment in the budget	Project progress	Accumulative capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate	Capital source
Chengda Fangda's Xinjin energy-saving green curtain wall project	46,000,000.00	965,118.05	13,185,667.05			14,150,785.10	30.76%	30.76%				Others
4th and 39th floors of Building 1 of Fangda Town	48,713,272.01		42,648,816.23			42,648,816.23	95.98%	95.98%	3,253,136.04	390,729.95	5.47%	Loans from financial institutions
Fangda Group East China Construction Base Project	152,940,000.00		1,368,127.25			1,368,127.25	0.89%	In preliminary preparation, not started				Others
Total	247,653,272.01	965,118.05	57,202,610.53			58,167,728.58	--	--	3,253,136.04	390,729.95		--

Note: Sources of funds, generally include fundraising funds, financial institution loans and other sources.

## 14. Intangible assets

### (1) Intangible assets

In RMB

Item	Land using right	Patent	Unpatented technologies	Computer software	Total
I. Book value					
1. Opening balance	56,497,540.74	10,458,271.30	5,719,888.37	7,928,758.80	80,604,459.21
2. Increase in this period	22,413,375.00	213,583.65	2,161,611.22	416,325.51	25,204,895.38
(1) Purchase	22,413,375.00	213,583.65	1,593,277.94	416,325.51	24,636,562.10
(2) Internal R&D					
(3) Increase due to enterprise merger					
(2) Other increases			568,333.28		568,333.28
3. Decrease in this period		13,425.38	61,380.70	568,333.28	643,139.36
(1) Purchase		13,425.38			13,425.38
(2) Other decrease			61,380.70	568,333.28	629,713.98
4. Closing balance	78,910,915.74	10,658,429.57	7,820,118.89	7,776,751.03	105,166,215.23
II. Accumulative amortization					
1. Opening balance	8,816,354.27	3,705,177.97	4,666,638.58	4,546,843.86	21,735,014.68
2. Increase in this period	1,883,045.86	440,942.87	241,506.35	623,640.70	3,189,135.78
(1) Provision	1,883,045.86	440,942.87	241,506.35	623,640.70	3,189,135.78
3. Decrease in this period		9,795.20	47,593.42	13,787.28	71,175.90
(1) Purchase		9,795.20			9,795.20
(2) Other decrease			47,593.42	13,787.28	61,380.70
4. Closing	10,699,400.13	4,136,325.64	4,860,551.51	5,156,697.28	24,852,974.56



balance					
III. Impairment provision					
1. Opening balance					
2. Increase in this period					
(1) Provision					
3. Decrease in this period					
(1) Purchase					
4. Closing balance					
IV. Book value					
1. Closing book value	68,211,515.61	6,522,103.93	2,959,567.38	2,620,053.75	80,313,240.67
2. Opening book value	47,681,186.47	6,753,093.33	1,053,249.79	3,381,914.94	58,869,444.53

Proportion of intangible asset formed by internal R&D of the period in the closing total book value of intangible assets 1.99%.

## (2) Failure to obtain the land use right certificates

In RMB

Item	Book value	Reason
There is no		

Others:

## 15. Long-term amortizable expenses

In RMB

Item	Opening balance	Increase in this period	Amortized amount in this period	Other decrease	Closing balance
XuanfengChayuan village and Zhuyuan village land transfer compensation	1,252,933.34		56,101.56		1,196,831.78
Dongguan separation	77,817.13		77,817.13		

project					
Great Wall broadband network fee	9,799.96		9,799.96		
Membership fee	460,000.00	600,000.00	142,500.32		917,499.68
Sales center construction cost	245,651.86		245,651.86		
Total	2,046,202.29	600,000.00	531,870.83		2,114,331.46

Other note

Other non-current assets ending balance are mainly company party big jianke company's payment in advance.

## 16. Differed income tax assets and differed income tax liabilities

### (1) Non-deducted deferred income tax assets

In RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	563,756,866.27	103,043,921.11	384,353,309.47	73,519,373.35
Unrealized profit of internal transactions				
Deductible loss	116,934,707.17	28,982,381.41	27,076,168.17	5,825,923.08
Donation	700,000.00	175,000.00	700,000.00	175,000.00
Unrealizable gross profit	171,832,174.62	42,958,043.66	159,943,328.49	39,138,879.86
Reserved expense	172,319,511.23	42,910,136.64	1,931,083.44	289,662.51
Deferred earning	2,588,555.38	383,758.20	2,343,160.67	351,474.11
Anticipated liabilities	6,831,162.99	1,024,674.45	6,368,353.05	955,252.96
Arbitrage gain and loss	1,625,725.00	243,858.75	159,000.00	23,850.00
Adjustment of fair value of investment real estate			309,641.05	46,446.16
Provided unpaid taxes	547,012,606.17	136,753,151.54	441,086,914.18	110,271,728.55
Total	1,583,601,308.83	356,474,925.76	1,024,270,958.52	230,597,590.58

### (2) Non-deducted deferred income tax liabilities

In RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Gain/loss caused by changes in fair value	4,059,575,421.10	1,014,893,855.26	1,143,654,805.86	285,913,701.47
Estimated gross margin when Fangda Town records income, but does not reach the taxable income level	108,771,380.35	27,192,845.09	113,637,356.36	28,409,339.09
Total	4,168,346,801.45	1,042,086,700.35	1,257,292,162.22	314,323,040.56

Note: The deferred income tax assets or deferred income tax liabilities at the beginning and ending balances and the corresponding temporary difference amounts are presented in the categories of temporary differences.

### (3) Net deferred income tax assets or liabilities listed

In RMB

Item	Deferred income tax assets and liabilities at the end of the period	Offset balance of deferred income tax assets or liabilities after offsetting	Deferred income tax assets and liabilities at the beginning of the period	Offset balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets		356,474,925.76		230,597,590.58
Deferred income tax liabilities		1,042,086,700.35		314,323,040.56

### (4) Details of unrecognized deferred income tax assets

In RMB

Item	Closing balance	Opening balance
Deductible temporary difference	144,013.55	946,030.45
Deductible loss	3,432,612.47	5,506,383.60
Total	3,576,626.02	6,452,414.05

Note: There is no uncertainty as to the deductible temporary difference and deductible loss of deferred income tax assets due to the uncertainty of whether or not sufficient taxable income can be obtained in the future.

### (5) Deductible losses of the un-recognized deferred income tax asset will expire in the following years

In RMB

Year	Closing amount	Opening amount	Notes
2021		772,174.85	
2022	1,093,587.53	4,734,208.75	
2023	2,339,024.94		
Total	3,432,612.47	5,506,383.60	--

Note: If it is not possible to determine all the deductible losses on the balance sheet date, only fill in the amount that can be determined and the year of expiration and explain it in the remarks column.

Others:

## 17. Other non-current assets

In RMB

Item	Closing balance	Opening balance
Prepaid house and equipment amount	19,296,006.00	31,130,198.46
Prepayment of intangible assets	64,077.67	
Total	19,360,083.67	31,130,198.46

Others:

## 18. Short-term borrowings

### (1) Classification of short-term borrowings

In RMB

Item	Closing balance	Opening balance
Guarantee loan		416,000,000.00
Credit borrow	8,000,000.00	
Discount borrowing of acceptance bills	200,000,000.00	200,000,000.00
Total	208,000,000.00	616,000,000.00

Notes to classification of short-term borrowings

## 19. Derivative financial liabilities

√ Applicable □ Inapplicable

Note: If the company's derivative financial instrument business is important, it must be listed separately.

In RMB

Item	Closing balance	Opening balance
Futures contracts	1,625,725.00	159,000.00
Total	1,625,725.00	159,000.00

Others:

## 20. Payable notes and accounts

In RMB

Item	Closing balance	Opening balance
Notes payable	507,864,518.19	532,921,025.48
Account payable	1,039,630,798.64	946,392,258.92
Total	1,547,495,316.83	1,479,313,284.40

### (1) Classification of notes receivable

In RMB

Type	Closing balance	Opening balance
Commercial acceptance	89,593,075.92	62,954,258.46
Bank acceptance	418,271,442.27	469,966,767.02
Total	507,864,518.19	532,921,025.48

The total amount of payable bills that have matured but not been paid at the end of the period is RMB480,027.59.

### (2) Account payable

In RMB

Item	Closing balance	Opening balance
Account repayable and engineering repayables	735,661,625.17	610,735,320.33
Construction payable	17,976,531.41	34,924,745.05
Payable installation and implementation fees	280,338,258.89	297,174,327.49
Others	5,654,383.17	3,557,866.05
Total	1,039,630,798.64	946,392,258.92

### (3) Significant payables aging more than 1 year

In RMB

Item	Closing balance	Reason
Supplier 1	69,722,724.31	Not mature
Supplier 2	17,662,333.07	Not mature
Supplier 3	7,470,170.85	Not mature

Supplier 4	6,326,038.63	Not mature
Supplier 5	5,722,268.99	Not mature
Total	106,903,535.85	--

Others:

## 21. Prepayment received

### (1) Prepayment received

In RMB

Item	Closing balance	Opening balance
Curtain wall and screen door engineering payment	223,438,696.72	89,485,775.55
Material loan	3,988,573.19	5,227,948.87
Real estate sales payment	49,542,377.00	78,377,257.88
Others	1,608,201.63	2,260,704.15
Total	278,577,848.54	175,351,686.45

### (2) Significant prepayment aged more than 1 year

In RMB

Item	Closing balance	Reason
Global Rail SDN BHD	9,038,046.00	Engineering payment received in advance
Total	9,038,046.00	--

## 22. Employees' wage payable

### 1. Employees' wage payable

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Short-term remuneration	40,387,519.16	270,574,149.59	266,464,007.98	44,497,660.77
2. Retirement pension program-defined contribution plan	11,611.59	12,595,306.70	12,591,516.89	15,401.40
3. Dismiss compensation		768,490.00	768,490.00	
4. Other welfare due in one year				

Total	40,399,130.75	283,937,946.29	279,824,014.87	44,513,062.17

## (2) Short-term remuneration

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Wage, bonus, allowance and subsidies	38,779,381.74	244,545,367.73	240,450,703.80	42,874,045.67
2. Employee welfare		5,093,397.28	5,057,397.28	36,000.00
3. Social insurance		14,403,570.36	14,403,570.36	
Including: medical insurance		4,027,734.76	4,027,734.76	
Labor injury insurance		767,542.96	767,542.96	
Breeding insurance		471,924.70	471,924.70	
Unemployment insurance		7,429,701.27	7,429,701.27	
Medical insurance		1,706,666.67	1,706,666.67	
4. Housing fund	65,471.00	5,807,209.35	5,802,518.35	70,162.00
5. Labor union budget and staff education fund	1,542,666.42	724,604.87	749,818.19	1,517,453.10
6. Short-term paid leave				
7. Short-term profit share program				
Total	40,387,519.16	270,574,149.59	266,464,007.98	44,497,660.77

## (3) Defined contribution plan

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension	11,611.59	12,206,429.38	12,202,639.57	15,401.40
2. Unemployment insurance		388,877.32	388,877.32	
3. Enterprise annuity contribution				

Total	11,611.59	12,595,306.70	12,591,516.89	15,401.40
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Others:

## 23. Taxes payable

In RMB

Item	Closing balance	Opening balance
VAT	7,964,966.19	12,300,790.83
Consumption tax		
Enterprise income tax	96,212,929.73	114,953,308.81
Personal income tax	793,577.50	1,183,514.25
City maintenance and construction tax	1,234,675.98	1,881,115.36
Land using tax	242,021.60	333,906.32
Property tax	248,910.70	1,432,301.04
Education surtax	609,781.62	896,603.56
Local education surtax	278,944.66	460,806.13
Deed tax		3,429,437.28
Others	124,191.21	83,732.86
Total	107,709,999.19	136,955,516.44

Others:

## 24. Other payables

In RMB

Item	Closing balance	Opening balance
Interest payable	2,098,971.44	2,425,311.97
Other payables	811,019,728.40	501,189,510.69
Total	813,118,699.84	503,614,822.66

Note: The other payables in the above table refer to other payables after deducting interest payables and dividends payable.

### (1) Interest payable

In RMB

Item	Closing balance	Opening balance
Long-term borrowing with interest installment and repayment of principal upon maturity	2,087,371.44	1,822,719.47
Short-term borrowing interests payable	11,600.00	602,592.50



Total	2,098,971.44	2,425,311.97
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## (2) Other payables

### 1) Other payables presented by nature

In RMB

Item	Closing balance	Opening balance
Performance and quality deposit	47,749,632.53	20,867,337.69
Deposit	152,313.10	8,047,165.84
Reserved expense	182,260,114.71	11,466,723.82
Tax withheld	547,012,606.17	441,086,914.18
Fangda Town pledge	22,236,150.00	100,000.00
Others	11,608,911.89	19,621,369.16
Total	811,019,728.40	501,189,510.69

Other note

1. The tax withheld is the land VAT that needs to be settled and paid for the property delivered of the Fangda Town developed by Fangda Property.

2. The major other payables aged over 1 year at the end of the year are mainly the land value-added tax of RMB418,264,992.03, which is not yet settled.

## 25. Non-current liabilities due within 1 year

In RMB

Item	Closing balance	Opening balance
Long-term loans due within 1 year	200,000,000.00	200,000,000.00
Total	200,000,000.00	200,000,000.00

Others:

## 26. Other current liabilities

In RMB

Item	Closing balance	Opening balance
Substituted money on VAT	9,328,682.25	9,531,014.81
Total	9,328,682.25	9,531,014.81

## 27. Long-term borrowings

### (1) Classification of long-term borrowings

In RMB

Item	Closing balance	Opening balance
Loan by pledge	693,978,153.39	893,978,153.39
Credit borrow	500,000,000.00	
Total	1,193,978,153.39	893,978,153.39

Notes to classification of long-term borrowings:

The above-mentioned borrowing is the 100% stock pledging of Fangda Property Development held by the Company.

Other note, including interest rate range:

The interest rate of long-term borrowings ranges between 5.39% and 6.785%.

## 28. Anticipated liabilities

In RMB

Item	Closing balance	Opening balance	Reason
Maintenance fee	6,831,162.99	6,368,353.05	
Total	6,831,162.99	6,368,353.05	--

Note: including related significant assumptions and estimates for anticipated liabilities

## 29. Deferred earning

In RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government subsidy	10,489,483.94	1,333,000.00	1,421,322.64	10,401,161.30	See Note
Total	10,489,483.94	1,333,000.00	1,421,322.64	10,401,161.30	--

Items involving government subsidies:

In RMB

Liabilities	Opening balance	Amount of new subsidy	Amount included in non-operating revenue	Other misc. gains recorded in this period	Costs offset in the period	Other change	Closing balance	Related to assets/earning
Major investment project prize from Industry and Trade Development	1,738,095.50			57,142.80			1,680,952.70	Assets-related

Division of Dongguan Finance Bureau								
Massive production project of air-breathing double-layer hollow glass energy-saving curtain call	7,517,843.03			123,987.24			7,393,855.79	Assets-related
Railway transport screen door controlling system and information transmission technology	125,065.17			28,507.00			96,558.17	Assets-related
Distributed PV power generation project subsidy sponsored by Dongguan Reform and Development Commission	443,750.09			24,999.96			418,750.13	Assets-related
Luxi county Xuanfeng town government business introduction subsidy	184,730.15			3,725.64			181,004.51	Assets-related
Shenzhen SME Service Bureau enterprise IT construction subsidy	480,000.00	20,000.00					500,000.00	Assets-related

Second batch of the 2017 Corporate Research and Development Funding Scheme		1,113,000.00		1,113,000.00				Earning-related
Shenzhen Science and Technology Innovation Committee Technology Innovation Subsidy		200,000.00	-{ }-	69,960.00			130,040.00	Earning-related
Total	10,489,483.94	1,333,000.00		1,421,322.64			10,401,161.30	

Others:

1. The Dongguan Finance Bureau Industry and Trade Development Division major subsidy project is a subsidized project not stipulated in Dongguan Financial Circular [2013] No.779. As the project has formed into long-term assets, the Company treats it as an assets-related government subsidy.

2. The massive production project of air-breathing double-layer hollow glass energy-saving curtain wall is a subsidized project stipulated in Guangdong Financial Doc [2013] No.183. As the project has formed into long-term assets, the Company treats it as an assets-related government subsidy.

3. The railway transport screen door controlling system and information transmission technology is a subsidized project stipulated in Shenzhen Tech Innovation [2013] No.242. RMB300,000 is used to purchase equipment and RMB900,000 is used to purchase materials and for travel fees. As the project has formed into long-term assets, the Company treats RMB300,000 as assets-related government subsidy and RMB900,000 as earning-related government subsidy. The Dongguan Municipal Development and Reform Commission on the organization of the Dongguan City distributed photovoltaic power generation subsidy program is based on the "Dongguan Municipal Development and Reform Commission's Circular on Organizing the Application of Dongguan Distributed PV Generation Capital Subsidy Project" for various types of buildings and structures using distributed photovoltaic power generation projects. Owners, according to the installed capacity of 250,000 yuan / MW for a one-time grant, the maximum subsidy for a single project does not exceed 2 million yuan, because the project is related to assets, the company will use it as a government subsidy related to assets.

4. The Xuanfeng Town Government Investment Promotion Subsidy Project of Luxi County promoted the development of the local economy. Xuanfeng Town Government of Luxi County introduced Luxin New Energy Company's solar photovoltaic power generation project and gave Luxin New Energy Corporation subsidies for obtaining state-owned construction land use rights. As this project is related to assets, the Company regards it as a government grant related to the assets.

5. The subsidy project of the Shenzhen Municipal Bureau of Small and Medium-sized Enterprises Service Enterprise

InformatizationProject is based on the relevant provisions of the Interim Measures for the Management of Special Funds for the Development of Private and Small and Medium-sized Enterprises in Shenzhen (SCC (2012) No. 177) issued by the Shenzhen Municipal Bureau of Small and Medium Business Administration. In 2017, the special fund enterprise informatization project subsidies, because the project is related to assets, the company will use it as a government grant related to assets.

### 30. Capital share

In RMB

	Opening balance	Change (+,-)					Closing balance
		Issued new shares	Bonus shares	Transferred from reserves	Others	Subtotal	
Total of capital shares	1,183,642,254.00				-28,160,568.00	-28,160,568.00	1,155,481,686.00

Others:

1. The decrease in share capital was due to the repurchase and cancellation of B shares by the company during the reporting period.
2. By 31.12.18, the Company has 1,417,242 restricted shares, of which 1,417,242 shares are held by senior management natural person.

### 31. Capital reserve

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	71,375,387.61		71,375,293.37	94.24
Other capital reserves	1,454,097.35			1,454,097.35
Total	72,829,484.96		71,375,293.37	1,454,191.59

Other note, including explanation about the reason of the change:

The decrease in share capital was due to the repurchase and cancellation of B shares by the company during the reporting period.

### 32. Shares in stock

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
B share		111,166,053.48	100,334,615.82	10,831,437.66
Total		111,166,053.48	100,334,615.82	10,831,437.66

Other note, including explanation about the reason of the change:

- (1) The company held the 8th meeting of the 8th Board of Directors and the 2017 Shareholders' Meeting on April 24 2018 and May 15 2018 respectively and reviewed and approved the proposal of the company to repurchase domestically listed foreign shares (B shares). From August 13th to August 18th 2018, a total of 28,160,568.00 shares were repurchased through centralized bidding. The highest price was HK\$4.22/share, the lowest price was HK\$3.95 per share and the actual accumulated payment was

HK\$114,478,923.89 (including transaction costs). The treasury shares were RMB 100,334,615.82. The company held the 10th meeting of the 8th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2018 on September 10 2018 and September 27 2018 respectively. The share (B shares) proposal as of December 31 2018 through the centralized bidding method a total of 3670247.00 shares were purchased and the highest price was HK\$3.399/share, the lowest price was HK\$3.24 per share and the actual accumulated payment was HK\$12,312,442.82 (including transaction costs) accounting for treasury shares of RMB10831437.66;

(2) 28,160,568.00 shares of share capital reduced as a result of the write-off of treasury shares

(3) If the cost of the cancelled stocks is higher than the corresponding cost of equity, the capital reserve of RMB71375293.37 and surplus reserve of RMB798754.45 will be reduced.

### 33. Other miscellaneous income

In RMB

Item	Opening balance	Amount occurred in the current period					Closing balance
		Amount before income tax	Less: amount written into other gains and transferred into gain/loss in previous terms	Less: Income tax expenses	After-tax amount attributed to the parent	After-tax amount attributed to minority shareholders	
2. Other misc. incomes that will be re-classified into gain and loss	8,585,847.99	-1,551,389.15	-141,000.00	-206,628.75	-1,203,760.40		7,382,087.59
Effective part in the gain and loss of arbitrage of cash flow	-119,850.00	-1,518,525.00	-141,000.00	-206,628.75	-1,170,896.25		-1,290,746.25
Translation difference of foreign exchange statement	-50,855.47	-32,864.15			-32,864.15		-83,719.62
Investment real estate measured at fair value	8,756,553.46						8,756,553.46
Other miscellaneous income	8,585,847.99	-1,551,389.15	-141,000.00	-206,628.75	-1,203,760.40		7,382,087.59

### 34. Surplus reserves

In RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	110,690,396.65	10,583,579.20	798,754.45	120,475,221.40
Total	110,690,396.65	10,583,579.20	798,754.45	120,475,221.40

### 35. Retained profit

In RMB

Item	Current period	Last period
Adjustment on retained profit of previous period	1,863,191,218.58	1,016,820,576.30
Retained profit adjusted at beginning of year	1,863,191,218.58	1,016,820,576.30
Plus: Net profit attributable to owners of the parent	2,246,164,571.68	1,144,404,441.03
Less: Statutory surplus reserves	10,583,579.20	21,850,606.15
Common share dividend payable	177,546,338.10	276,183,192.60
Closing retained profit	3,921,225,872.96	1,863,191,218.58

Details of retained profit adjusted at beginning of the period

- 1) Retrospective adjustment due to adopting of the Enterprise Accounting Standard and related regulations, included the retained profit by RMB0.
- 2) Variation of accounting policies, influenced the retained profit by RMB0.
- 3) Correction of material accounting errors, influenced the retained profit by RMB0.
- 4) Change of consolidation range caused by merger of entities under common control, influenced the retained profit by RMB0.
- 5) Other adjustment influenced the retained profit by RMB0.

### 36. Operational revenue and costs

In RMB

Item	Amount occurred in the current period		Occurred in previous period	
	Income	Cost	Income	Cost
Main business	2,987,575,699.48	2,314,151,985.65	2,900,462,349.88	1,977,766,793.96
Other businesses	61,104,452.58	23,796,024.77	47,008,463.70	20,472,095.25
Total	3,048,680,152.06	2,337,948,010.42	2,947,470,813.58	1,998,238,889.21

The Company must comply with disclosure requirements of the Shenzhen Stock Exchange Industry Information Disclosure Guideline No.3 – Listed Companies Engaged in Property Development.

Top-5 projects in terms of income received and recognized in the reporting period:

In RMB

No.	Project	Balanace
1	Fangda Town	697,518,090.10

### 37. Taxes and surcharges

In RMB

Item	Amount occurred in the current period	Occurred in previous period
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City maintenance and construction tax	7,984,304.25	7,814,008.40
Education surtax	5,756,258.86	7,797,178.90
Property tax	6,220,032.07	4,118,281.19
Land using tax	1,738,269.03	1,432,280.19
Stamp tax	1,946,004.29	1,357,531.03
Land VAT	128,891,545.18	167,899,723.69
Business tax		1,061,489.31
Others	145,514.11	309,436.30
Total	152,681,927.79	191,789,929.01

Others:

### 38. Sales expense

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Labor costs	20,260,198.42	22,338,575.61
Freight and miscellaneous charges	5,041,135.44	6,023,654.97
Travel expense	1,852,326.67	4,918,740.99
Entertainment expense	1,991,769.30	1,918,141.04
Material consumption	564,173.89	1,034,700.68
Office costs	1,081,976.69	2,182,168.26
Rental	781,210.79	848,873.82
Advertisement and promotion fee	917,550.20	5,698,609.97
Sales agency fee	14,128,431.60	14,032,712.93
Others	3,215,172.89	2,067,770.13
Total	49,833,945.89	61,063,948.40

Others:

### 39. Management expenses

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Labor costs	86,778,163.52	81,335,907.43
Depreciation and amortization	11,119,225.43	15,437,399.78
Agencies	8,486,136.13	6,206,988.31
Maintenance costs	9,669,303.38	7,676,857.59



Water and electricity	622,744.97	656,735.35
Office expense	3,506,152.86	3,428,451.92
Travel expense	2,518,992.57	2,887,763.45
Entertainment expense	3,313,697.59	2,896,590.12
Rental	3,489,288.27	2,531,368.11
Lawsuit	463,766.14	237,815.52
Material consumption	255,851.35	313,727.03
Property management fee	689,894.03	1,978,270.47
Others	9,089,408.55	9,231,602.45
<b>Total</b>	<b>140,002,624.79</b>	<b>134,819,477.53</b>

Others:

#### 40. R&D cost

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Labor costs	14,718,049.77	13,216,294.50
Material costs	1,596,850.18	1,194,036.40
Rental	1,770,437.76	1,716,524.80
Depreciation costs	397,092.74	439,827.59
Agencies	308,497.20	149,175.09
Amortization of intangible assets	88,515.55	138,611.22
Travel expense	99,589.29	229,518.69
Maintenance costs	144,199.46	193,546.74
Others	731,012.63	719,667.74
<b>Total</b>	<b>19,854,244.58</b>	<b>17,997,202.77</b>

Others:

#### 41. Financial expenses

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Interest expense	83,226,880.85	89,495,390.12
Less: interest capitalization	7,292,522.11	20,766,462.22
Less: discount government subsidies	250,000.00	1,786,400.00
Less: Interest income	9,255,120.60	7,781,596.28

Acceptant discount	10,241,203.18	3,384,259.28
Exchange gain/loss	-2,391,402.94	3,305,715.16
Commission charges and others	8,049,350.51	1,207,940.00
Total	82,328,388.89	67,058,846.06

Others:

## 42. Assets impairment loss

In RMB

Item	Amount occurred in the current period	Occurred in previous period
1. Bad debt loss	164,953,654.42	58,879,269.89
2. Inventory depreciation loss	64,934,772.82	
3. Impairment loss on available-for-sale financial assets	6,888,567.44	
7. Fixed assets impairment loss	3,089,516.62	
Total	239,866,511.30	58,879,269.89

Others:

## 43. Other gains

In RMB

Source	Amount occurred in the current period	Occurred in previous period
LED production expansion technology renovation project		381,219.96
Luxi county Xuanfeng town government business introduction subsidy	3,725.64	1,552.35
Major investment project prize from Industry and Trade Development Division of Dongguan Finance Bureau	57,142.80	57,142.80
Distributed PV power generation project subsidy sponsored by Dongguan Reform and Development Commission	24,999.96	24,999.96
Railway transport screen door controlling system and information transmission technology	28,507.00	43,229.28
Massive production project of air-breathing double-layer hollow glass energy-saving curtain call	123,987.24	123,987.24
Technology achievement subsidies		100,000.00

VAT rebated into revenue	2,280,640.07	2,730,971.34
Nanchang Financial Bureau municipal-level enterprise technology prize		50,000.00
Intellectual property right project subsidy by Shenzhen market and quality supervision and management committee		100,000.00
Industry upgrade and transformation subsidy for 2017 by Shenzhen Economic and Trade Information Commission		1,000,000.00
Industry growth subsidy		680,000.00
Hi-tech enterprise development fund		300,000.00
Hi-tech enterprise prize		300,000.00
Employment subsidy	238,968.31	504,878.65
Others	834,049.75	184,500.00
Income tax commission	376,916.38	
Second batch of the 2017 Corporate Research and Development Funding Scheme	1,113,000.00	
Nanchang High-tech Development Zone Management Committee Finance Bureau allocates industrial incentives	300,000.00	
National standard preparation subsidy	300,000.00	
Total	5,681,937.15	6,582,481.58

#### 44. Investment income

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Gains from long-term equity investment measured by equity	-836,397.74	-2,162,975.06
Investment gain obtained from disposal of long-term equity investment		84,959,644.45
Investment gain obtained from disposal of financial assets measured at fair value with variations accounted into current income account	57,856,845.60	122,438,379.65
Investment gain obtained from disposal of financial assets measured at fair value with	-56,309,694.76	-122,795,801.32

variations accounted into current income account		
Investment gain of financial products	27,065,331.33	20,455,865.70
Others		-4,000.00
Total	27,776,084.43	102,891,113.42

Others:

#### 45. Income from fair value fluctuation

In RMB

Source of income from fluctuation of fair value	Amount occurred in the current period	Occurred in previous period
Investment real estate measured at fair value	2,916,598,485.48	890,037,303.97
Effective part in the gain and loss of arbitrage of cash flow	-2,739,924.91	2,371,344.29
Total	2,913,858,560.57	892,408,648.26

Others:

#### 46. Assets disposal gains

In RMB

Source	Amount occurred in the current period	Occurred in previous period
Gain and loss from disposal of fixed assets ("-" for loss)	-3,516,357.91	5,027,717.19

#### 47. Non-business income

In RMB

Item	Amount occurred in the current period	Occurred in previous period	Amount accounted into the current accidental gain/loss
Penalty income	605,723.88	363,980.93	605,723.88
Payable account not able to be paid		3,208,403.38	
Compensation received	2,993,898.33		2,993,898.33
Others	112,971.88	4,810,402.92	112,971.88
Total	3,712,594.09	8,382,787.23	3,712,594.09

#### 48. Non-business expenses

In RMB

Item	Amount occurred in the current period	Occurred in previous period	Amount accounted into the current accidental gain/loss
Loss from debt reorganization		3,674,141.05	
Donation	622,950.00	3,911,000.00	622,950.00
Loss from retirement os damaged non-current assets	1,785,203.11	71,025.12	1,785,203.11
Penalty and overdue fine	827,560.09	203,328.43	827,560.09
Others	610,489.60	213,904.94	610,489.60
Total	3,846,202.80	8,073,399.54	3,846,202.80

Others:

#### 49. Income tax expenses

##### (1) Details about income tax expense

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Income tax expenses in this period	121,573,588.89	216,022,591.68
Deferred income tax expenses	602,092,953.36	57,772,785.66
Total	723,666,542.25	273,795,377.34

##### (2) Adjustment process of accounting profit and income tax expense

In RMB

Item	Amount occurred in the current period
Total profit	2,969,831,113.93
Income tax expenses calculated based on the legal (or applicable) tax rates	742,457,778.48
Impacts of different tax rates applicable for some subsidiaries	-6,778,607.02
Impacts of income tax before adjustment	2,268,965.90
Impact of non-taxable income	-14,545,891.42
Impacts of non-deductible cost, expense and loss	1,323,943.11
Impacts of using deductible loss of unrecognized deferred income tax assets	-2,586.02
Deductable temporary difference and deductible loss of	174,496.30

unrecognized deferred income tax assets	
Profit and loss of associates and joint ventures calculated using the equity method	209,099.45
Taxation impact of R&D expense and (presented with “-”)	-1,440,656.53
Income tax expenses	723,666,542.25

Other note

## 50. Other miscellaneous income

See Note VII 33.

## 51. Notes to the cash flow statement

### (1) Other cash inflow related to operation

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Interest income	8,316,874.92	6,851,168.02
Subsidy income	5,681,937.15	6,184,809.73
Retrieving of deposits for exchange bills	32,714,226.95	20,929,073.67
Retrieving of bidding deposits	33,349,895.41	72,013,587.39
Other operating accounts	26,996,640.74	21,760,218.65
Total	107,059,575.17	127,738,857.46

Notes to other cash inflow related to operation:

### (2) Other cash paid related to operation

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Sales expense	29,750,837.95	25,196,863.33
Administrative expense	58,067,357.63	29,288,934.10
Bidding deposit paid	99,763,670.34	71,049,500.84
Net draft deposit net paid	128,198,940.32	110,475,014.30
Other trades	23,353,211.96	25,533,661.05
Total	339,134,018.20	261,543,973.62

Notes to other cash paid related to operation:

### (3) Other cash paid related to financing

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Repurchase amount of B shares	111,166,053.48	
B shares only door limited funds	88,273,535.75	
Total	199,439,589.23	

Notes to other cash paid related to financing:

## 52. Supplementary data of cash flow statement

### (1) Supplementary data of cash flow statement

In RMB

Supplementary information	Amount of the Current Term	Amount of the Previous Term
1. Net profit adjusted to cash flow of business operation	--	--
Net profit	2,246,164,571.68	1,151,047,221.51
Plus: Asset impairment provision	239,866,511.30	58,879,269.89
Fixed asset depreciation, gas and petrol depreciation, production goods depreciation	24,664,826.19	28,254,417.84
Amortization of intangible assets	3,189,135.78	3,377,119.80
Amortization of long-term amortizable expenses	531,870.83	2,992,171.54
Loss from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains)	3,295,588.91	-4,594,701.20
Loss from fixed asset discard ("-" for gains)	1,785,203.11	71,025.12
Loss from fair value fluctuation ("-" for gains)	-2,913,858,560.57	-892,079,427.63
Financial expenses ("-" for gains)	84,126,977.13	68,088,240.21
Investment losses ("-" for gains)	-27,776,084.43	-102,891,113.42
Decrease of deferred income tax asset ("-" for increase)	-125,877,335.18	-53,779,742.02
Increase of deferred income tax asset ("-" for increase)	727,763,659.79	111,552,527.68
Decrease of inventory ("-" for increase)	103,270,355.56	163,916,553.77
Decrease of operational receivable items	-566,885,607.13	346,476,038.35

("-" for increase)		
Increase of operational receivable items	682,326,319.97	-233,040,368.34
("-" for decrease)		
Others	-95,484,713.37	-90,436,087.37
Cash flow generated by business operations, net	387,102,719.57	557,833,145.73
2. Major investment and financing operation not involving with cash	--	--
3. Net change of cash and cash equivalents	--	--
Balance of cash at period end	956,190,890.68	931,285,535.55
Less: Initial balance of cash	931,285,535.55	935,824,575.40
Net increase in cash and cash equivalents	24,905,355.13	-4,539,039.85

## (2) Composition of cash and cash equivalents

In RMB

Item	Closing balance	Opening balance
I. Cash	956,190,890.68	931,285,535.55
Including: Cash in stock	5,167.01	42,636.09
Bank savings can be used at any time	953,231,178.60	921,773,052.65
Other monetary capital can be used at any time	2,954,545.07	9,469,846.81
III. Balance of cash and cash equivalents at end of term	956,190,890.68	931,285,535.55
Including: restricted cash and cash equivalent used by parent company or subsidiaries in the Group	432,871,193.08	249,112,943.96

Others:

## 53. Ownership- or use-right-restricted assets

In RMB

Item	Closing book value	Reason
Monetary capital	432,871,193.08	Warranty, time deposit, B share repurchase fund
Fixed assets	51,298,617.58	Loan by pledge
Investment real estate	309,189,866.37	Loan by pledge
100% stake in Fangda Property	200,000,000.00	Loan by pledge



Development held by the Company		
Total	993,359,677.03	--

Others:

## 54. Foreign currency monetary items

### (1) Foreign currency monetary items

In RMB

Item	Closing foreign currency balance	Exchange rate	Closing RMB balance
Monetary capital	--	--	129,248,907.17
Including: USD	734,888.93	6.8632	5,043,689.70
HK Dollar	136,096,929.35	0.8762	119,248,129.48
AUD	352,362.62	4.8250	1,700,149.64
SGD	650,580.95	5.0062	3,256,938.35
Account receivable	--	--	23,584,697.27
Including: USD	3,182,153.65	6.8632	21,839,756.93
HK Dollar	369,071.47	0.8762	323,380.42
AUD	52,421.90	4.8250	252,935.67
SGD	233,435.39	5.0062	1,168,624.25
Other receivables			429,399.61
Including: USD	13,682.31	6.8632	93,904.43
HK Dollar	381,389.10	0.8762	334,173.13
AUD	274.00	4.8250	1,322.05
Other payables			109,485.66
Including: HKD	124,955.10	0.8762	109,485.66
Employees' wage payable			4,021,941.54
Including: HKD	14,022.10	0.8762	12,286.16
AUD	831,016.66	4.8250	4,009,655.38

Others:

**(2) The note of overseas operating entities should include the main operation places, book keeping currencies and selection basis. Where the book keeping currency is changed, the reason should also be explained.**

☐ Applicable ☒ Inapplicable

## 55. Hedging

Hedging items and related tools, qualitative and quantitative information about hedging risks:

Hedging type	Hedged item	Hedging instrument	Hedged risk
Cash flow hedging	Aluminum plate futures transaction	Aluminum futures contract	Rise on raw material prices, causing purchase cost increase

## VIII. Change to Consolidation Scope

### 1. Change to the consolidation scope for other reasons

Change in the consolidation scope due to other reasons (such as new subsidiaries and liquidation of subsidiaries) and the situations:

1. In the current period, Shanghai Fangda Jingling Technology Co. Ltd. and Shenzhen Fangda Cloud Rail Technology Co. Ltd. have been newly established two new companies in the current consolidated statement.
2. In this period, Fangda Decoration Engineering (Shenyang) Co. Ltd. an indirectly controlled subsidiary was cancelled and no longer controlled. Therefore, one subsidiary is moved out of the consolidation scope in this period.

## IX. Equity in Other Entities

### 1. Interests in subsidiaries

#### (1) Group Composition

Company	Place of business	Registered address	Business	Shareholding percentage		Obtaining method
				Direct	Indirect	
FangdaJianke	Shenzhen	Shenzhen	Designing, manufacturing, and installation of curtain walls	98.39%	1.61%	Incorporation
Fangda Automatic	Shenzhen	Shenzhen	Production, processing and installation of subway screen doors	14.00%	86.00%	Incorporation
Fangda New Material	Nanchang	Nanchang	Production and sales of new-type materials composite materials and production of curtain walls	75.00%	25.00%	Incorporation

Kexunda	Shenzhen	Shenzhen	Computer software development		100.00%	Incorporation
Fangda Property	Shenzhen	Shenzhen	Real estate development and operation	100.00%		Incorporation
Fangda New Energy	Shenzhen	Shenzhen	Design and construction of PV power plants	100.00%		Incorporation
Chengdu Fangda	Chengdu	Chengdu	Trusted processing of building curtain wall materials		100.00%	Incorporation
Shihui International Holding Co., Ltd.	Virgin Islands	Virgin Islands	Investment	100.00%		Incorporation
Dongguan New Material	Dongguan	Dongguan	Production and sales of building curtain walls		100.00%	Incorporation
Fangda Property Management	Shenzhen	Shenzhen	Property management		100.00%	Incorporation
Jiangxi Fangda Property Development Co., Ltd.	Nanchang	Nanchang	Real estate development and operation		100.00%	Incorporation
PingxiangFangda Luxin New Energy Co., Ltd.	Pingxiang	Pingxiang	Design and construction of PV power plants		100.00%	Incorporation
PingxiangXiangdongFangda New Energy Co., Ltd.	Pingxiang	Pingxiang	Design and construction of PV power plants		100.00%	Incorporation
Nanchang Xinjian Fangda New Energy Co., Ltd.	Nanchang	Nanchang	Design and construction of PV power plants		100.00%	Incorporation
Dongguan Fangda New Energy Co., Ltd.	Dongguan	Dongguan	Design and construction of PV power plants		100.00%	Incorporation
Kechuangyuan Software	Shenzhen	Shenzhen	Software development		100.00%	Incorporation

Fangda Automation (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Metro screen door		100.00%	Incorporation
Hongjun Investment Company	Shenzhen	Shenzhen	Investment	98.00%	2.00%	Incorporation
Jianke Australia	Australia	Australia	Designing, manufacturing, and installation of curtain walls		100.00%	Incorporation
Fangda Cloud Rail	Shenzhen	Shenzhen	Design, development and sales of cloud rail transport equipment		100.00%	Incorporation
Shanghai FangdaQingling Technology Co., Ltd.	Shanghai	Shanghai	Production and sales of building curtain walls		100.00%	Incorporation

Note to the difference between shareholdings in subsidiaries and percentage of votes:

Basis for holding half or less votes but controlling invested entities, and holding half or more votes but not controlling invested entities:

Basis for control of structural entities incorporated in the consolidation scope:

Basis for recognizing a company as an agent or consigner:

Others:

In this period, Shenyang Decoration Company has completed the procedures for cancellation of business.

### 3. Interests in joint ventures or associates

#### (1) Financial summary of insignificant joint ventures and associates

In RMB

	Closing balance/amount occurred in this period	Opening balance/amount occurred in previous period
Joint venture:	--	--
Total book value of investment		
Total shareholding	--	--
Net profit		

Other miscellaneous income		
--Total of misc. incomes		
Associate:	--	--
Total book value of investment	70,105,657.88	34,142,055.62
Total shareholding	--	--
Net profit	-836,397.74	-2,162,975.06
Other miscellaneous income		
--Total of misc. incomes	-836,397.74	-2,162,975.06

## X. Risks of Financial Tools

Major financial tools of the Group include monetary fund, accounts receivable, receivable bills, other receivables, other current assets, financial assets measured at fair value and whose change recorded in the profit and loss of this period, accounts payable, interest payable, payable bills, other payables, short-term borrowings, other current liabilities, non-current liabilities due within one year and long-term borrowings. Details about the Group's financial instruments are disclosed in related notes. The following explains risks related to the financial instruments and risk management policies adopted by the Group to lower the risks. The management of the Group manages and monitor the risks to ensure that the risks are within the acceptable range.

### 1. Risk management target and policy

The target of the risk management is to balance between risk and benefit and lower financial risks' impacts on the Group's financial performance. Based on the target, the Group has formulated risk management policy to identify and analyze risks facing the Group and set an appropriate acceptable level and internal control procedures to monitor the risks. The Group regularly reviews the risk management policies and related internal control system to suit the market status and changes in the Group's operating activities. The internal auditing department of the Group will regularly or randomly check the implementation of the internal control system.

Risks caused by the Group's financial instruments are credit risk, liquidity risk and market risk (including interest, exchange rate and product price/equity tool price risks).

#### (1) Credit risk

Credit risk is caused by the failure of one party of a financial instrument in performing its obligations, causing the risk of financial loss for the other party.

The Group manages credit risks through classification. The credit risk is mainly caused by bank deposit and receivables.

The Group's bank deposit is mainly deposited in state-owned banks and large-sized listed banks. The credit risk caused by bank deposited is minor.

For receivables, the Group sets up related policies to control the credit risk. The Group set the credit line and term for debtors according to their financial status, external rating, and possibility of getting third-party guarantee, credit record and other factors. The Group has adopted a policy of cooperating only with creditworthy counterparties and obtaining sufficient collateral when necessary to mitigate the risk of financial losses arising from the failure of the counterparty to perform its contractual obligations. The Group regularly monitors debtors' credit record. For those with poor credit record, the Group will send written payment reminders, shorten or cancel credit term to lower the general credit risk.

The debtors of the Group's accounts receivable are customers distributed in different industries and regions. The Group continues to perform credit assessments on the financial status of the receivables and when appropriate purchases credit guarantee insurance.

The largest credit risk facing the Group is the book value of each financial asset on the balance sheet. The Group makes no guarantee that may cause the Group credit risks.

Among the Group's receivables, accounts receivable from top 5 customers account for 18.60% of the total accounts receivable (2017: 12.85%); among other receivables, other receivables from top 5 customers account for 66.83% of the total other receivables (2017: 71.91%).

## (2) Liquidity risk

Liquidity risk is the risk of capital shortage when the Group needs to pay cash or settled with other financial assets.

The Group keeps adequate cash and cash equivalent, and monitors the level to ensure that the cash and cash equivalent can meet the operation needs. The management of the Group monitors the use of bank loans and ensures that they are used as agreed. The Group also obtains guarantee from financial institutions for adequate standby fund to meet short-term and long-term capital demand.

The Group can also use fund generated by operating activities and bank and other loans. On 31.12.18, bank loan credit that the Group has not used was RMB2,649,754,000 (31.12.17: RMB2,538,021,800).

Financial liabilities and excluded guarantees held by the Group by undiscounted residual contract cash flow (in RMB10,000) at the end of the period:

	Closing amount			
Assets	Less than 1 year	Within 1-3 years	Over 3 years	Total
Financial liabilities:				
Short-term loans	20,800.00			20,800.00
Notes payable and accounts payable	139,987.76	14,588.41	173.36	154,749.53
Employees' wage payable	4,451.31			4,451.31
Other payables	25,200.85	55,107.77	1,003.25	81,311.87
Non-current liabilities due in 1 year	20,000.00			20,000.00
Other current liabilities	932.87			932.87
Long-term loans		119,397.82		119,397.82
<b>Total liabilities</b>	<b>211,372.79</b>	<b>189,094.00</b>	<b>1,176.61</b>	<b>401,643.40</b>

Financial liabilities and excluded guarantees held by the Group by undiscounted residual contract cash flow (in RMB10,000) at the beginning of the period:

	Opening amount			
Assets	Less than 1 year	Within 1-3 years	Over 3 years	Total
Financial liabilities:				
Short-term loans	61,600.00			61,600.00

Notes payable and accounts payable	141,188.66	6,732.71	9.96	147,931.33
Employees' wage payable	4,039.91			4,039.91
Other payables	15,776.16	31,241.89	3,343.43	50,361.48
Non-current liabilities due in 1 year	20,000.00			20,000.00
Other current liabilities	953.1			953.1
Long-term loans		80,000.00	9,397.82	89,397.82
<b>Total liabilities</b>	<b>243,557.83</b>	<b>117,974.60</b>	<b>12,751.21</b>	<b>374,283.64</b>

The amount of financial liabilities disclosed in the above table is undiscounted contractual cash flow and may therefore differ from the carrying amount in the balance sheet.

### (3) Market risk

Market risk of financial instrument is caused by changes in the fair value of financial instruments or future cash flow, including interest risk, exchange rate and other price risks.

#### Exchange rate risk

Interest rate risk is caused by fluctuation of the fair value or future cash flow of financial instruments caused by changes in the market interest rate. The interest rate risk can be caused by recognized interest-bearing financial instruments and unrecognized financial instruments.

The Group's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank loans. Financial liabilities with floating interest rate cause cash flow interest rate risk for the Group. Financial liabilities with fixed interest rate cause fair value interest rate risk for the Group. The Group decides the proportion between fixed interest rate and floating interest rate according to the market environment and regularly reviews and monitors the combination of fixed and floating interest rate instruments.

The Group pays close attention to the risks of changing interest rates. The Group adopts no hedging policies currently. However management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk should the need arise. As fixed deposits are short-term borrowing, the interest rate risk of the fair value of bank deposit is minor.

On December 31 2018, the current floating interest rate borrowing was RMB500 million. if the borrowing rate calculated with floating interest rate rises or falls by 50 basis points, while other factors remain unchanged, the Group's net profit and shareholders' equity will change by RMB90,800. (December 31, 2017: 0)

For the financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the impact of the net profit and shareholders' equity in the above sensitivity analysis is measured based on the assumption that the interest rate changes on the balance sheet date according to the new interest rate. For floating interest rate non-derivatives held on the balance sheet date that expose the Group to cash flow interest rate risk, the effect of net profit and shareholder equity in the above sensitivity analysis is the interest income or income estimated by the above interest rate changes. The previous year's analysis was based on the same assumptions and methods.

#### Exchange rate risk

Exchange rate risk is caused by fluctuation of the fair value or future cash flow of financial instruments caused by changes in the foreign exchange rates. The exchange rate risk can be caused by financial instruments priced in foreign currencies.

Exchange rate risk is mainly attributable to the Group's financial position and cash flows affected by fluctuations in foreign exchange rates. Except for the subsidiaries established in Hong Kong holding assets in Hong Kong dollars as the settlement currency, there is only a small amount of investment in the Hong Kong market. The proportion of assets and liabilities held by the Group in foreign currency assets and liabilities is not significant. Therefore the Group believes that the exchange rate risk is not significant.

The Group pays close attention to the risks of changing exchange rate. The Group takes no measure to prevent other exchange risks currently. However management is responsible for monitoring exchange rate risk and will consider hedging significant exchange rate

risk should the need arise.

See Note V. 51 Foreign Currency Item Note for the Group's financial assets and liabilities priced in foreign currencies.

Other price risks

Other price risks refer to risks of fluctuations caused by changes to market prices, regardless of whether the changes are caused by factors related to a single financial tool or issuer, or factors related to all similar financial tools traded in the market. Other price risks come from changes in product prices or equity tool prices.

The Group's investment in financial assets classified as fair value through changes in fair value through profit or loss, and investment properties measured in fair value are measured at fair value on the balance sheet date. Therefore, the Group bears risks of changes in the securities market and real estate market prices.

The Group closely follows impacts of price changes to the Company's securities investment price and real estate price risks. The Group takes no measure to prevent other price risks currently. The management is responsible for monitoring the other price risks.

## 2. Capital management

The Group's capital management aims to ensure continuous operation of the Group, provide returns for shareholders, help other interested parties make benefit, and maintain the best capital structure and lower capital cost.

The Group may adjust the dividend distributed to shareholders, issue new shares or sell assets to maintain or adjust the capital structure.

The Group monitors the capital structure based on the assets/liability ratio. On 31.12.18, the Group's assets/liability ratio is 51.26% (December 31, 2017: 57.52%).

# XI. Fair Value

## 1. Closing fair value of assets and liabilities measured at fair value

In RMB

Item	Closing fair value			
	First level fair value	Second level fair value	Third level fair value	Total
1. Continuous fair value measurement	--	--	--	--
2. Leased building		5,234,401,663.38		5,234,401,663.38
Total assets measured at fair value continuously		5,234,401,663.38		5,234,401,663.38
Derivative financial liabilities	1,625,725.00			1,625,725.00
Total assets measured at fair value continuously	1,625,725.00			1,625,725.00
2. Discontinuous fair value measurement	--	--	--	--



## 2. Recognition basis of market value of continuous and discontinuous items measured at first level fair value

The Group determines the fair value using quotation in an active market for financial instruments traded in an active market;

## Valuation technique and qualitative and quantitative information for key parameters of continuous and discontinuous second level fair value items

For investment in real estate similar with real estate transaction, the Group uses valuation techniques to determine its fair value. The technique is comparison and earning method. Inputs include transaction date, status, region and other factors.

## 4. Switch between different levels, switch reason and switching time policy

In the period, there is no switch in the financial assets measured at fair value between the first and second level or transfer in or out of the third level.

## 5. Fair value of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortized cost include: monetary capital, bills receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payables, other payables, and long-term payables.

The difference between book value and fair value of financial assets and liabilities not measured at fair value is small.

## XII. Related Parties and Transactions

### 1. Parent of the Company

Parent	Registered address	Business	Registered capital	Share of the parent co. in the Company	Voting power of the parent company
Shenzhen Banglin Technologies Development Co., Ltd.	Shenzhen	Industrial investment	3,000.00	9.85%	9.85%
Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)	Jiujiang	Industrial investment	1,978.0992	2.33%	2.33%
Shengjiu Investment Ltd.	Hong Kong	Industrial investment	HKD1.00	8.16%	8.16%

Particulars about the parent of the Company

1. All of the investors of Shenzhen Banglin Technology Development Co., Ltd., the holding shareholder of the Company, are natural

persons. Among them, Chairman XiongJianming is holding 85% of the shares, and Mr. Xiong Xi – son of Mr. XiongJianming, is holding 15% of the shares.

2. Among the top 10 shareholders, Shenzhen Banglin Technology Development Co., Ltd. and Shengjiu Investment Co., Ltd. are parties action-in-concert. Shenzhen Banglin Technology Development Co., Ltd. and Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise are related parties. The Company is not notified of other action-in-concert or related parties among the other holders of current shares.

The final controller of the Company is XiongJianming.

Others:

## 2. Subsidiaries of the Company

See Note IX. 1.

## 3. Joint ventures and associates

See Note IX. 2 for details of significant joint ventures and associates of the Company.

Information about other joint ventures or associates with related transactions in this period or with balance generated by related transactions in previous period:

Joint venture or associate	Relationship with the Company
Shenzhen Ganshang Joint Investment Co., Ltd.	Associate
Shenzhen HuihaiYirong Internet Service Co., Ltd.	Associate
Jiangxi Business Innovative Property Joint Stock Co., Ltd.	Associate
Shenzhen ZhongrongLitai Investment Co. Ltd. (ZhongrongLitai)	JV

Other note

ZhongrongLitai Company was acquired by the project company for the development of Dakang Village. The cooperation agreement stipulated the acquisition of 100% equity. As of December 31 2018 Fangda Real Estate Co. Ltd. the subsidiary of the Company did not actually pay the investment funds. The agreement pays the deposit the industrial and commercial procedures have been changed and the 55% of the shares are held which is in the common control stage.

## 4. Other associates

Other related parties	Relationship with the Company
Shenzhen Qijian Technology Co., Ltd. (Qijian Technology)	Common actual controller
Director, manager and secretary of the Board	Key management
Shenyang party big semiconductor lighting co., LTD. (hereinafter referred to as "shenyang party big company")	The liquidation of the subsidiary
Shenzhen varlk semiconductor lighting co., LTD. (hereinafter referred to as "shenzhenvarlk company")	The liquidation of the youthful

Other note

## 5. Related transactions

### (1) Related transactions for purchase and sale of goods, provision and acceptance of services

Sales of goods and services

In RMB

Affiliated party	Related transaction	Amount occurred in the current period	Occurred in previous period
Qijian Technology	Property service and sales of goods	33,117.82	20,126.65
Ganshang Joint Investment	Property service and sales of goods	10,121.77	8,434.81

Notes about related transactions for purchase and sale of goods, provision and acceptance of services

### (2) Related leasing

The Company is the leasor:

In RMB

Name of the lessee	Category of asset for lease	Rental recognized in the period	Rental recognized in the period
Ganshang Joint Investment	Houses & buildings	131,516.47	125,775.90
Qijian Technology	Houses & buildings	303,164.32	179,744.00

### (3) Related guarantees

The Company is the guarantor:

In RMB

Beneficiary party	Amount guaranteed	Start date	Due date	Completed or not
FangdaJianke	300,000,000.00	18.08.18	31.07.20	No
FangdaJianke	100,000,000.00	12.06.18	11.06.19	No
FangdaJianke	200,000,000.00	10.04.18	09.04.19	No
FangdaZhichuang	216,000,000.00	06.08.18	12.07.20	No
FangdaZhichuang	150,000,000.00	08.03.18	08.03.19	No
Fangda New Material	65,000,000.00	01.06.18	01.05.19	No
Fangda New Material	80,000,000.00	01.06.18	27.11.19	No
Fangda Property	1,300,000,000.00	03.02.15	02.02.23	No

The Company is the guaranteed party:

In RMB

Gurantor	Amount guaranteed	Start date	Due date	Completed or not
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FangdaJianke and FangdaZhichuang	600,000,000.00	22.02.18	22.02.19	No
FangdaJianke	250,000,000.00	29.09.18	29.09.19	No

Note to related guarantees

1. The above-mentioned guarantees are all associated guarantees within interested entities of the Group.
2. HSBC has a total credit of RMB 90 million to the Company, FangdaJianke and FangdaZhichuang and has not yet agreed on the credit expiration date. HSBC regularly evaluates the credit status. The restriction on the use of the credit is as follows:  
The company can use non-financial bank guarantees of up to 90 million yuan to grant credit;  
FangdaJianke has non-committed combined revolving credits of not more than RMB90 million including revolving loans of up to RMB90 million, non-financial bank guarantees of up to RMB90 million and bank acceptances of up to RMB90 million.  
FangdaZhichuang has non-committed combined revolving credits of not more than RMB90 million including revolving loans of up to RMB90 million, non-financial bank guarantees of up to RMB90 million and bank acceptances of up to RMB50 million.

#### (4) Remuneration of key management

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Directors, supervisors and senior management	7,215,982.18	9,281,475.55

### 6. Receivable and payables due with related parties

#### (1) Receivable interest

In RMB

Project	Affiliated party	Closing balance		Opening balance	
		Remaining book value	Bad debt provision	Remaining book value	Bad debt provision
Account receivable	Qijian Technology	957.79	28.73	735.00	7.35
Other receivables	Shenyang Fangda	42,877.00	42,877.00	42,877.00	1,286.31
Other receivables	Shenzhen Woke	865,802.94	865,802.94	865,802.94	86,580.29
Other receivables	ZhongrongLitai	8,580,127.08	257,403.81		

Note If the related party transaction is settled on a net basis the amount due from the related party can be offset by the amount.

### XIII. Contingent events

#### 1. Major commitments

Major commitments that exist on the balance sheet day

On November 6, 2017, Fangda Real Estate Co., Ltd., a subsidiary of the Company, and Bangshen Electronics (Shenzhen) Co., Ltd. signed the "Joint Development Agreement on FangdaBangshen Industrial Park (Temporary Name) Urban Renewal Project", and the two parties agreed to develop cooperatively. In order to develop urban renewing projects such as a "renovation project", Fangda Real Estate provided Party A with property compensation through renovating and renovating the property allocation terms agreed upon by both parties, and obtained independent development rights of the project. As of 31.12.18, Fangda Real Estate has paid a deposit of RMB 20,000,000.

(2) In July 2018, the company's subsidiary Fangda Real Estate Co. Ltd. (Party A) signed a contract with Shenzhen Yikang Real Estate Co. Ltd. (Party B1) and Shenzhen QianhaiZhongzhengDingfeng No. 6 Investment Enterprise (Limited Partnership) (Party B2), "Shenzhen HenggangDakang Village Project Cooperation Agreement". Party B agrees to transfer the entire equity of the project company it holds and the entire development interest of the project to Party A. Party A shall pay Party B a total of RMB600 million for the cooperation price. As of December 31 2018, Fangda Real Estate has paid a guarantee deposit of RMB50 million to Party B and the project company and has paid RMB20 million service fee.

(3) The sales contract of Fangda Plaza developed by Fangda Real Estate Co. Ltd., a subsidiary of the Company, stipulates that if the buyer cannot obtain the "Property Certificate" according to the agreed time limit calculated from the date of the delivery of the house due to the seller's reasons, the seller shall bear the liability for breach of contract as of 2018. The number of sets that have not been issued for delivery on December 31 of the year is 439 sets.

The Company has no other commitments that should be disclosed by 31.12.18.

## 2. Contingencies

### (1) Significant contingencies on the balance sheet date

#### (1) Contingent liabilities formed by material lawsuit or arbitration, and their influences on the financial position

In June 2015, FangdaJianke filed a lawsuit against Wang Weihong, requiring an indemnity of RMB23 million and defreezing of the amount RMB23 million by the bank. On June 21 2018, the First Intermediate People's Court of Chongqing Municipality made the first-instance judgment and (2008) JuyiZhongfaMinzi No. 01205 civil judgment verdict Wang Weihong paid to FangdaJianke Company within 10 days from the effective date of the judgment. The material amount of RMB 6,611,425.54 the paid project department and construction team salary is 1,292,336.08 yuan the tax paid is 227,909.13 yuan the deduction of his case is executed the execution amount is 1,150,000.00 yuan and the overdue interest is 4,688,191.35 yuan totaling 13,969,862.10 yuan. FangdaJianke Company refused to accept the compensation amount for the first-instance judgment and filed an appeal. At the same time, Wang Weihong also filed an appeal. As of the date of this report, the second instance has not yet been decided.

On November 27 2018 FangdaJianke Company a subsidiary of the Group filed a lawsuit against Quanzhou Hengan Generation Venture Capital Co. Ltd. for Quanzhou Hengan Generation Venture Capital Co. Ltd. for the payment of 10394232.91 yuan and overdue interest payment of 1911122.36 yuan totaling 12305355.27 yuan 2019. It was formally opened on January 21 and has not yet been decided.

In November 2018, FangdaJianke a subsidiary of the Group sued Fujian Huapu Real Estate Development Co. Ltd. for a payment of RMB 13810243.67 and its overdue interest payment of RMB 3044545.82 totaling RMB 16854789.49 to the Taijiang District People's Court of Fuzhou City. The case has been filed yet.

(2) Pending major lawsuits

On September 6, 2017, Chenghua District People's Court of Chengdu Municipality sentenced Sichuan ChutaHengyuan Industrial Co., Ltd. to pay construction money to FangdaJianke within 10 days from the date of the verdict 川 0108 民初 1828 号 RMB10,242,182.99. As of the date of this report, FangdaJianke has applied for execution and has not received the relevant payment.

On September 10 2018, the People's Court of Lixia District of Jinan City sentenced Shandong Zhonghong Real Estate Co. Ltd. to the Company for payment of 5960429.45 yuan within 10 days from the date of the effective date of the (2018) Lu 0102 Minchu 5367 civil judgment. As of the date of this report, FangdaJianke has applied for execution and has not received the relevant payment.

(3) Contingent liabilities formed by providing of guarantee to other companies' debts and their influences on financial situation

By December 31, 2013, the Company has provided loan guarantees for the following entities:

Name of guaranteed entity	Guarantee	Amount (in RMB10,000)	Start date	End date
Fangda Property	Pledge guarantee	2,490.49	2015/11/6	2023/2/11
Fangda Property	Pledge guarantee	545.76	2015/11/20	2023/2/11
Fangda Property	Pledge guarantee	2388.91	2015/12/9	2023/2/11
Fangda Property	Pledge guarantee	4,614.39	2015/12/28	2023/2/11
Fangda Property	Pledge guarantee	4241.27	2016/1/26	2023/2/11
Fangda Property	Pledge guarantee	4,260.74	2016/1/29	2023/2/11
Fangda Property	Pledge guarantee	343.47	2016/3/28	2023/2/11
Fangda Property	Pledge guarantee	3,615.06	2016/4/27	2023/2/11
Fangda Property	Pledge guarantee	1,157.69	2016/5/22	2023/2/11
Fangda Property	Pledge guarantee	414.66	2016/5/30	2023/2/11
Fangda Property	Pledge guarantee	3,113.99	2016/6/13	2023/2/11
Fangda Property	Pledge guarantee	1,465.99	2016/6/24	2023/2/11
Fangda Property	Pledge guarantee	4415.64	2016/7/26	2023/2/11
Fangda Property	Pledge guarantee	4,813.23	2016/8/15	2023/2/11
Fangda Property	Pledge guarantee	5,519.40	2016/9/7	2023/2/11
Fangda Property	Pledge guarantee	15,048.01	2016/10/8	2023/2/11
Fangda Property	Pledge guarantee	7,628.15	2016/11/7	2023/2/11
Fangda Property	Pledge guarantee	6,140.11	2016/11/30	2023/2/11
Fangda Property	Pledge guarantee	9,889.21	2017/1/19	2023/2/11
Fangda Property	Pledge guarantee	1,830.24	2017/5/31	2023/2/11
Fangda Property	Pledge guarantee	2,581.45	2017/6/28	2023/2/11
Fangda Property	Pledge guarantee	2,879.95	2017/8/30	2023/2/11
<b>Total</b>		<b>89,397.81</b>		

Note: Contingent liabilities caused by guarantees provided for other entities are all related guarantees between interested entities in the Group.

(4) Providing guarantee for property purchasers

The Group's property business provides periodic mortgage guarantee for property purchasers. The term of the periodic guarantee lasts from the effectiveness of guarantee contracts to the completion of mortgage registration and transfer of housing ownership certificates to banks. By December 31, 2018, the Company has provided periodic guarantee of RMB778 million.

On 31.12.18, the Company has no other contingent events that should be disclosed.

**(2) Significant contingent events that do not need to be disclosed should be explained**

No such significant contingent event

**XIV. Post-balance-sheet events**

**1. Profit distribution**

In RMB

Profit or dividend to be distributed	224,676,837.80
Profit or dividend approved to be distributed	224,676,837.80

**2. Notes to other issues in post balance sheet period**

The Company held the 10th meeting of the 8th Board of Directors and the 1st Extraordinary General Meeting of Shareholders in 2018 on September 10 2018 and September 27 2018 respectively and reviewed and approved the repurchase of some domestically listed foreign shares (B shares) from January 1 2019 to January 3 2019 of 28,427,250 shares through a centralized bidding method. The highest price was HK\$3.58 per share, the lowest price was HK\$3.31 per share and the actual payment was HK\$100700189.39 (including transaction costs). The company has completed the repurchase and cancellation of 320,97,497.00 shares (including 3670247.00 shares that have been repurchased on December 31, 2018) on January 11, 2019.

On 28.01.19, the Company has no other contingent events that should be disclosed.

**XV. Other material events**

**1. Suspension of operations**

In RMB

Item	Income	Expense	Total profit	Income tax expenses	Net profit	Suspended operation profit attributable to the owners of parent company
Suspension of operations		220,214.40	-220,214.40		-220,214.40	-220,214.40

Other note

Shenyang Decoration completed the industrial and commercial cancellation procedures in April 2018. KeXunda completed the tax cancellation in November 2018 and the industrial and commercial cancellation procedures have not been completed by the reporting date.

(2) The net profit of termination of operations in 2018 includes KeXunda's net profit for the period is -220214.40 yuan.

(3) The discontinued operating net profit for 2017 includes: Shenyang Decoration's net profit for the current period of RMB -8,074.07, Fangda Aluminum's net profit for the period of RMB 6,340,920.55, and Fangda SOZN's net profit for the period of RMB 16,606,951.20.

## 2. Segment information

### (1) Recognition basis and accounting policy for segment report

The Group divides its businesses into five reporting segments. The reporting segments are determined based on financial information required by routine internal management. The Group's management regularly review the operating results of the reporting segments to determine resource distribution and evaluate their performance.

The reporting segments are:

(1) Curtain wall segment, production and sales of curtain wall materials, construction curtain wall design, production and installation;

(2) Rail transport segment: assembly and processing of metro screen doors;

(3) Real estate segment: development and operating of real estate on land of which land use right is legally obtained by the Company; property management;

(4) New energy segment, R&D, installation and sales of PV devices, design and construction of PV power plants; R&D, design, production, sales and installation of light accessories, and other lights, LED products and hardware.

(5) Others

The segment report information is disclosed based on the accounting policies and measurement standards used by the segments when reporting to the management. The policies and standards should be consistent with those used in preparing the financial statement.

### (2) Financial information

In RMB

Item	Curtain wall	Rail transport	Real estate	New energy	Others	Offset between segments	Total
Turnover	2,013,294,159.21	297,686,976.09	701,427,764.66	20,475,462.99	30,820,705.56	15,024,916.45	3,048,680,152.06
Including: external	2,010,704,004.96	297,686,976.09	697,518,090.10	19,625,478.18	23,145,602.73	0.00	3,048,680,152.06



transaction income							
Inter-segment transaction income	2,590,154.25		3,909,674.56	849,984.81	7,675,102.83	15,024,916.45	
Including: major business turnover	1,985,502,123.31	294,941,334.54	691,416,438.03	20,475,462.99		4,759,659.39	2,987,575,699.48
Operation cost	1,721,556,010.17	222,509,233.98	399,820,333.15	7,723,226.59	1,604,559.26	15,265,352.73	2,337,948,010.42
Including: major business cost	1,704,411,374.49	222,027,603.18	393,698,880.58	7,723,226.59	1,604,559.26	15,313,658.45	2,314,151,985.65
Operation cost	34,962,227.67	19,856,814.30	-2,560,679,393.86	1,743,249.36	56,449,116.61	-188,435,404.92	-2,259,232,581.00
Operating profit/(loss)	256,775,921.37	55,320,927.81	2,862,286,825.37	11,008,987.04	-27,232,970.31	188,194,968.64	2,969,964,722.64
Total assets	3,346,940,616.51	494,834,450.82	6,314,228,331.13	174,423,700.91	2,864,290,133.79	2,535,863,099.43	10,658,854,133.73
Total liabilities	2,152,419,243.80	281,239,506.31	3,141,101,213.37	98,881,013.81	1,188,122,606.46	1,398,097,071.90	5,463,666,511.85

Note: The financial information of the reportable segment should be disclosed in conjunction with the company's specific conditions including information on the main business income and the cost of the main business.

## XVI. Notes to Financial Statements of the Parent

### 1. Receivable note and accounts receivable

In RMB

Item	Closing balance	Opening balance
Notes receivable	200,000,000.00	
Account receivable	471,039.12	408,154.54
Total	200,471,039.12	408,154.54

#### (1) Notes receivable

##### 1) Classification of notes receivable

In RMB

Item	Closing balance	Opening balance
Commercial acceptance	200,000,000.00	

Total	200,000,000.00
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## (2) Account receivable

### 1) Account receivable disclosed by categories

In RMB

Type	Closing balance					Opening balance				
	Remaining book value		Bad debt provision		Book value	Remaining book value		Bad debt provision		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Recognition and providing of bad debt provisions on groups	485,607.34	100.00%	14,568.22	3.00%	471,039.12	420,777.88	100.00%	12,623.34	3.00%	408,154.54
Total	485,607.34	100.00%	14,568.22	3.00%	471,039.12	420,777.88	100.00%	12,623.34	3.00%	408,154.54

Account receivable with major individual amount and bad debt provision provided individually at the end of the period:

☐ Applicable ☒ Inapplicable

In the group, the account receivable of which bad debt provision is made through the account aging method:

☒ Applicable ☐ Inapplicable

In RMB

Age	Closing balance		
	Account receivable	Bad debt provision	Provision rate
Sub-item of within 1 year			
Less than 1 year	485,607.34	14,568.22	3.00%
Subtotal for less than 1 year	485,607.34	14,568.22	3.00%
Total	485,607.34	14,568.22	3.00%

Group recognition basis:

Account receivable adopting the balance percentage method in the group

### 2) Bad debt provision made, returned or recovered in the period

A bad debt provision of RMB1,944.88 was made in the period. RMB0.00 was recovered or reversed. 3) Balance of top 5 accounts receivable at the end of the period

The total balance of top-five accounts receivable at the end of the period is RMB4,517,278,600, accounting for 93.02% of the total remaining balance of all accounts receivable. The bad debt provision made at the end of the period is RMB135,518,400.

## 2. Other receivables

In RMB

Item	Closing balance	Opening balance
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Interest receivable		1,020,000.00
Dividend receivable	100,000,000.00	150,000,000.00
Other receivables	722,543,653.04	672,773,780.45
Total	822,543,653.04	823,793,780.45

Note: The other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

## (1) Receivable interest

### 1) Receivable interest

In RMB

Item	Closing balance	Opening balance
Bank financial products		1,020,000.00
Total		1,020,000.00

## 2. Receivable dividend

### 1. Receivable dividend

In RMB

Item (or invested entity)	Closing balance	Opening balance
Fangda Property	100,000,000.00	150,000,000.00
Total	100,000,000.00	150,000,000.00

## (3) Other receivables

### 1) Other receivables disclosed by categories

In RMB

Type	Closing balance					Opening balance				
	Remaining book value		Bad debt provision		Book value	Remaining book value		Bad debt provision		Book value
	Amount	Proportion	Amount	Provision rate		Amount	Proportion	Amount	Provision rate	
Other receivables with major individual amount and bad debt provision provided individually	13,030,000.00	1.77%	13,030,000.00	100.00%		13,150,000.00	1.92%	13,150,000.00	100.00%	
(2) Recognition and providing of bad debt provisions on groups	722,647,872.78	98.11%	104,219.74	0.01%	722,543,653.04	672,959,963.61	98.08%	186,183.16	0.03%	672,773,780.45

Other receivables with minor individual amount and bad debt provision provided individually	908,679.94	0.12%	908,679.94	100.00%						
Total	736,586,552.72	100.00%	14,042,899.68	1.91%	722,543,653.04	686,109,963.61	100.00%	13,336,183.16	1.94%	672,773,780.45

Other receivables with major individual amount and bad debt provision provided individually at the end of the period:

☒ Applicable ☐ Inapplicable

In RMB

Other receivables (by entity)	Closing balance			
	Other receivables	Bad debt provision	Provision rate	Reason
Luo Huichi	13,030,000.00	13,030,000.00	100.00%	Unrecoverable
Total	13,030,000.00	13,030,000.00	--	--

In the group, the other receivables of which bad debt provision are made through the account aging method:

☒ Applicable ☐ Inapplicable

In RMB

Age	Closing balance		
	Other receivables	Bad debt provision	Provision rate
Sub-item of within 1 year			
Less than 1 year	1,117,339.95	3,520.20	3.00%
Subtotal for less than 1 year	117,339.95	3,520.20	3.00%
Over 5 years	100,699.54	100,699.54	100.00%
Total	218,039.49	104,219.74	47.80%

Group recognition basis:

Other receivables adopting the balance percentage method in the group:

☐ Applicable ☒ Inapplicable

Other receivables adopting other methods in the group

☐ Applicable ☒ Inapplicable

2) Bad debt provision made, returned or recovered in the period

A bad debt provision of RMB706,716.52 was made in the period. RMB0.00 was recovered or reversed.

3) Other receivables are disclosed by nature

In RMB

By nature	Closing balance of book value	Opening balance of book value
Associate accounts	722,429,833.29	671,896,683.41
Other trades	14,156,719.43	14,213,280.20
Total	736,586,552.72	686,109,963.61

4) Balance of top 5 other receivables at the end of the period

In RMB

Entity	By nature	Closing balance	Age	Percentage (%)	Balance of bad debt provision at the end of the period
FangdaJianke	Associate accounts	473,183,777.60	Less than 1 year	64.24%	
Fangda New Energy	Associate accounts	90,710,949.29	Less than 1 year	12.32%	
Fangda New Material	Associate accounts	84,333,277.85	Less than 1 year	11.45%	
Shihui International	Associate accounts	30,459,793.09	Less than 1 year	4.14%	
Jiangxi Property Development	Associate accounts	27,845,287.03	Less than 1 year	3.78%	
Total	--	706,533,084.86	--	95.93%	

3. Long-term share equity investment

In RMB

Item	Closing balance			Opening balance		
	Remaining book value	Impairment provision	Book value	Remaining book value	Impairment provision	Book value
Investment in subsidiaries	983,339,494.35		983,339,494.35	925,349,494.35		925,349,494.35
Total	983,339,494.35		983,339,494.35	925,349,494.35		925,349,494.35

(1) Investment in subsidiaries

In RMB

Invested entity	Opening balance	Increase	Decrease	Closing balance	Provision made in this period	Balance of impairment provision at the end of the period
FangdaJianke	491,950,000.00			491,950,000.00		
FangdaZhichuang	18,831,241.35			18,831,241.35		
Fangda New Material	74,496,600.00			74,496,600.00		
Fangda Property	200,000,000.00			200,000,000.00		
Shihui International	61,653.00			61,653.00		
Hongjun Investment	40,010,000.00	57,990,000.00		98,000,000.00		

Company						
Fangda New Energy	100,000,000.00			100,000,000.00		
Total	925,349,494.35	57,990,000.00		983,339,494.35		

#### 4. Operational revenue and costs

In RMB

Item	Amount occurred in the current period		Occurred in previous period	
	Income	Cost	Income	Cost
Other businesses	30,830,762.76	1,604,559.26	29,333,583.31	2,041,826.84
Total	30,830,762.76	1,604,559.26	29,333,583.31	2,041,826.84

Others:

#### 5. Investment income

In RMB

Item	Amount occurred in the current period	Occurred in previous period
Gains from long-term equity investment measured by costs	117,000,000.00	150,000,000.00
Gains from long-term equity investment measured by equity		-2,142,252.28
Investment gain obtained from disposal of long-term equity investment		5,037,221.60
Investment gain obtained from disposal of financial assets measured at fair value with variations accounted into current income account	23,142,680.38	77,348,884.05
Investment gain obtained from disposal of financial assets measured at fair value with variations accounted into current income account	-22,524,021.60	-77,045,286.87
Investment gain of financial products	6,515,338.51	4,941,935.94
Others		-2,000.00
Total	124,133,997.29	158,138,502.44

## XVII. Supplementary Materials

### 1. Detailed accidental gain/loss

√ Applicable □ Inapplicable

In RMB

Item	Amount	Notes
Gain/loss of non-current assets	-5,080,792.02	
Subsidies accounted into the current income account (except the government subsidy closely related to the enterprise's business and based on unified national standard quota)	5,931,937.15	
Capital using expense charged to non-financial enterprises and accounted into the current income account	922,330.10	
Gain from entrusted investment or assets management	27,065,331.33	
Gain/loss from change of fair value of transactional financial 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	-1,192,774.07	
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement	2,916,598,485.48	
Other non-business income and expenditures other than the above	1,675,521.71	
Less: Influenced amount of income tax	720,926,531.10	
Total	2,224,993,508.58	--

Note: Each non-recurring profit and loss item is presented based on the pre-tax amount.

Explanation statement should be made for accidental gain/loss items defined and accidental gain/loss items defined as regular gain/loss items according to the Explanation Announcement of Information Disclosure No. 1 - Non-recurring gain/loss mentioned.

□ Applicable √ Inapplicable

### 2. Net income on asset ratio and earning per share

Profit of the report period	Weighted average net income/asset ratio	Earning per share
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		Basic earnings per share (yuan/share)	Diluted Earnings per share (yuan/share)
Net profit attributable to common shareholders of the Company	53.17%	1.91	1.91
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	0.50%	0.02	0.02

### 3. Differences in accounting data under domestic and foreign accounting standards

#### (1) Differences in net profits and assets in financial statements disclosed according to the international and Chinese account standards

☐ Applicable ☒ Inapplicable

#### (2) Differences in net profits and assets in financial statements disclosed according to the international and Chinese account standards

☐ Applicable ☒ Inapplicable

## Chapter XII Documents for Reference

1. The Annual Report 2018 and the Summary with signature of the legal representative (Chinese and English);
2. Accounting Statements with signatures and seals of the legal representative and financial principal and chief of accounting department;
3. Original copy of the Auditors' Report under the seal of the CPA and signed by and under the seal of certified accountants.
4. Originals of all documents and manuscripts of Public Notices of the Company disclosed in public in the newspapers as designated by China Securities Regulatory Commission.