

Stock Code: 000055, 200055

Stock ID: Fangda Group, Fangda B

Announcement No. 2019-34

China Fangda Group Co., Ltd.

Interim Report 2019 Summary

I. Important Declaration

The interim report summary is abstract from the interim report. Investors should read the annual report from the specified media to fully understand the Company's business achievements, financial status and future plans.

No objection from directors, supervisors and senior management

☐ Applicable ☒ Inapplicable

Statement

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

Non-standard auditing opinion

☐ Applicable ☒ Inapplicable

Profit distribution pre-plan or capitalization plan in the period reviewed by the Board of Directors

☐ Applicable ☒ Inapplicable

The Company will distribute no cash dividends or bonus shares and has no reserve capitalization plan.

The preference share profit distribution pre-plan approved by the Board of Directors

☐ Applicable ☒ Inapplicable

II. General Information

1. Company Profile

Stock ID	Fangda Group, Fangda B	Stock code	000055, 200055
Stock Exchange	Shenzhen Stock Exchange		
Modified stock ID (if any)	None		
Contacts and liaisons	Secretary of the Board	Representative of Stock Affairs	
Name	Zhou Zhigang	Guo Linchen	
Office address	20F, Fangda Technology Building, Kejinan 12th Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.	20F, Fangda Technology Building, Kejinan 12th Avenue, High-tech Zone, Hi-tech Park South Zone, Shenzhen, PR China.	
Tel.	86(755) 26788571 ext. 6622	86(755) 26788571 ext. 6622	
Email	zqb@fangda.com	zqb@fangda.com	

2. Financial Highlight

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

☐ Yes ☒ No

	This report period	Same period last year	Year-on-year change (%)
Turnover (yuan)	1,425,890,946.99	1,442,050,896.53	-1.12%
Net profit attributable to shareholders of the listed company (yuan)	128,581,755.01	230,131,663.19	-44.13%

Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss (RMB)	113,377,064.06	209,705,118.34	-45.94%
Net cash flow generated by business operation (RMB)	-372,725,003.11	-31,426,267.64	-1,086.03%
Basic earnings per share (yuan/share)	0.11	0.19	-42.11%
Diluted Earnings per share (yuan/share)	0.11	0.19	-42.11%
Weighted average net income/asset ratio	2.55%	6.99%	-4.44%
	End of the report period	End of last year	Year-on-year change
Total asset (RMB)	10,940,802,780.45	10,658,854,133.73	2.65%
Net profit attributable to the shareholders of the listed company (RMB)	5,023,788,122.76	5,195,187,621.88	-3.30%

Notes:

1. The above-mentioned decrease in “net profit attributable to shareholders of the listed company” was mainly due to the fact that the Fangda Town project which had a higher gross profit during the reporting period and contributed more to the profit in the previous year, was nearing the end of the planned sales area resulting in a decrease in operating income and profit. In addition, the operating income, net profit and gross profit margin of the curtain wall systems and materials industries and rail transit screen door equipment businesses have increased, as follows:

1. The real estate industry realized operating income of RMB204,754,300 in the first quarter of 2019, a decrease of 57.03% over the same period of the previous year; net profit of RMB55,294,600 was reduced by RMB113,516,400 compared with the same period of the previous year with a decrease of 67.24%.

2. In the first quarter of 2019, the curtain wall system and materials industry realized operating income of RMB1,005,451,500, an increase of 23.53% over the same period of the previous year; the net profit was RMB48,390,900, an increase of 33%; the gross margin was 14.55%, up 0.67 percentages from the same period of last year;

3. In the first half of 2019, the rail transit screen door equipment business realized operating income of RMB197,936,300, an increase of 50.79% over the same period of the previous year; net profit of RMB35,630,100, an increase of 68.76% over the same period of the previous year; gross profit margin of 28.00%, an increase of 4.67 percentage points.

2. The decrease in the above-mentioned “net cash flow from operating activities” was mainly due to the decrease in the revenue of the Fangda town project due to the decrease in operating income during the reporting period and the annual corporate income tax settlement and payment of taxes. The curtain wall system and materials industry and the rail transit screen door equipment industry have basically remained the same or improved compared with the same period of the previous year, as follows:

1. The net cash flow generated by the real estate industry in the first half of 2019 was RMB-181,979,600, compared with RMB182,350,800 in the same period of the previous year, a decrease of RMB364,330,400 over the same period of the previous year.

2. The net cash flow generated by the operating activities of the curtain wall system and materials industry in the first half of 2019 was RMB -157,339,500, compared with RMB-156,697,800 in the same period of last year, which was basically the same as that of the same period of last year;

3. The net cash flow generated by the operating activities of the rail transit screen door equipment industry in the first half of 2019 was RMB-33,676,200, compared with RMB-47,830,600 in the same period of last year, which was improved compared with the same period of the previous year.

3. Shareholders and shareholding

In share

Number of shareholders of common shares at the end of the report period	62,141	Number of shareholders of preferred stocks of which voting rights recovered in the report period (if any)	0			
Top 10 Shareholders						
Shareholder	Nature of shareholder	Shareholding percentage	Shareholding number	Conditional shares	Pledging or freezing	
					Share status	Quantity
Shenzhen Banglin Technologies Development Co., Ltd.	Domestic non-state legal person	10.08%	113,202,154		Pledged	32,860,000
Shengjiu Investment Ltd.	Foreign legal person	8.52%	95,688,766			
Gong Qing Cheng Shi Li He Investment Management Partnership Enterprise (limited partner)	Domestic non-state legal person	2.38%	26,791,488			

Fang Wei	Domestic natural person	1.65%	18,514,449			
SUN HUNG KAI INVESTMENT SERVICES LTD	Foreign legal person	0.89%	10,053,618			
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.71%	7,946,483			
Shenwan Hongyuan Securities (Hong Kong) Co., Ltd.	Foreign legal person	0.55%	6,158,732			
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.52%	5,872,007			
Qu Chunlin	Domestic natural person	0.38%	4,236,961			
First Shanghai Securities Limited	Foreign legal person	0.36%	4,001,704			
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.					
Statement of shareholders participating in margin trade (if any)	None					

4. Changes in controlling shareholder or actual controller

Changes in the controlling shareholder in the reporting period

☐ Applicable ☒ Inapplicable

No change in the controlling shareholder in the report period

Change in the actual controller in the report period

☐ Applicable ☒ Inapplicable

No change in the actual shareholder in the report period

5. Total number of preferred shareholders and shareholding of top 10 preferred shareholders by the end of the report period

☐ Applicable ☒ Inapplicable

No shareholder of preferred shares in the report period

6. Bonds

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

No

III. Operation Discussion and Analysis

1. Business status in the report period

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

Yes

Decoration

In the first half of 2019, the international environment was complex and changeable. The impact of Sino-US trade frictions intensified and continued. The domestic economy continued to decline. The Company overcame many unfavorable factors and completed the targets set at the beginning of the year. During the reporting period, the Company achieved operating income of RMB1,425,890,900, a year-on-year decrease of 1.12%, and the net profit attributable to owners of the parent company was RMB128,581,800, a year-on-year decrease of 44.13%. The decrease in operating income and net profit of the Company was mainly

due to the fact that the sales area of Fangda Town project with higher gross profit and greater contribution to profit in the same period of last year was close completion. The project realized operating income of RMB204,754,300 in the first half of 2019, compared with the same period of last year. The decrease was RMB271,728,600, a decrease of 57.03%, and the net profit was RMB55,294,600, a decrease of RMB113,516,400 from the same period of the previous year, a decrease of 67.24%. In addition, in the first half of the year, the Company's two major industrial curtain wall systems and materials industry and rail transit screen door equipment industry developed well. The curtain wall system and materials industry operating income and net profit increased by 23.53% and 33% respectively. The operating income and net profit of the door equipment industry increased by 50.79% and 68.76% respectively. As of the end of the reporting period, the company's order reserve was RMB4,992,541,500 (excluding real estate sales), an increase of 7.71% compared with the beginning of the year, which was 3.5 times of the operating income in the first half of the year. Adequate order reserve provided a strong guarantee for the company's sustainable development.

1. High-end curtain wall system and material business

The Company has always practiced the business philosophy of “technology-based, innovation as the source”, adheres to the spirit of “Fangda Quality” with excellence and quality first, and with the core competitiveness of product quality, technical strength and brand influence. The quality and quantity of the newly signed orders in the first half of the year have remained at a high level. In the first half of the year, the Company secured the 188S-C-4 and 188S-D-1 plots of the WS5 unit in the south section of the Huangpu River in Xuhui District, Shanghai, and the 31-01(D) plot office building in Xujingzhong, Shanghai Xihongqiao Business District, Chengdu Tianfu Wanke Yuncheng, Chengdu Tianfu International Conference Center, Chengdu Longhu Renmin North Road 6-7 Group Central Commercial Street, Chongqing Longhu Shapingba Hub Project, Nanjing Vanke Shangduhui Project, Shenzhen Shangzhi Science and Technology Park, Shenzhen Qianhai East Asia Kerry, Shenzhen Jinxiu Science Park Phase III, Shenzhen Vanke Antoshan Project, Zhuhai Renhe Hengqin International Chinese Medicine Innovation Center, Marriott Docklands Marriott Melbourne, Australia, Victoria Square, Melbourne, Australia, 89 Victoria Street, Brisbane, Saudi Arabia A large number of high-end curtain wall systems and materials projects, totaled RMB1.178 billion. In the first half of 2019, the curtain wall system and materials industry realized operating income of RMB1,005,451,500, an increase of 23.53% over the same period of the previous year; the net profit was RMB48,390,900, an increase of 33%, the gross margin was 14.55%, up 0.67 percentages from the same period of last year. As of the end of the reporting period, the Company's curtain wall system and materials industry orders reserve was RMB3,134,694,300 which was 3.12 times of the operating income of the curtain wall system and materials industry in the first half of 2019.

In order to meet the growing demand for orders, the Company has established new production bases in Chengdu Xinjin and Shanghai Songjiang. In June this year the Fangda Western Headquarters Base of Chengdu Xinjin has been basically completed. The base covers an area of 45,000 square meters and has a total construction area of about 21,000 square meters. The company's East China production base in Songjiang, Shanghai, has started in the first half of the year and is scheduled to be completed by the end of this year. The base covers an area of 23,800 square meters and has a total construction area of 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. After completion, the Company's curtain wall system and materials industry are formed with Shenzhen as the headquarters South China with Dongguan Songshan Lake and Foshan as the base Southwest China with Chengdu as the base East China with Shanghai and Central China with Nanchang. As the base of the national industrial layout, it provides an important guarantee for improving market share and comprehensive competitiveness.

During the reporting period, the curtain wall project of the four projects of Zhuhai R&F Yingkai Plaza, Shenzhen Jinlitong Financial Center, Shenzhen Vanke Binhai Land Building and Haikou Henghaihua Island under construction completed the above projects with high quality product quality and service capacity. The high-tech and high-difficult curtain wall design and construction tasks have won honors such as “Excellent Suppliers” from R&F Group, Qianhai Life Insurance, Vanke and Evergrande, reflecting the recognition of the Company's comprehensive strength and brand of the Company's curtain wall business.

2. Rail transport screen door business

As the national “Belt and Road” initiative continues to deepen and the development strategy of Guangdong, Hong Kong and Macao Dawan District continues to advance in depth, in the first half of 2019, the Company's rail transit screen door equipment industry has expanded rapidly and has won the Mumbai Metro Line in India, Nanjing Metro Line 7, Zhengzhou Line 4, Ningbo Metro Line 1, Guiyang Metro Line 2, Phase II, Jinan Rail Transit R2 Line 1, Wuhan Metro Line 5, Xi'an Metro Line 5 orders for screen door system projects, and also obtained orders for professional technical maintenance services for shielded doors of Wuhan Railway Bureau and Shenzhen Metro Line 9, and Shenzhen Metro 1, 2, 3, 5, 7, 9, and 11. Line shield door installation project orders, the total amount of new signed singles was RMB618,636,600, an increase of 95%. Among them, the Mumbai Metro Line 3 project in India is the third project of the company in the Indian market after the Noida subway in India and the Ahmedabad subway project in India. The company will continue to firmly grasp the rapid development opportunities of the Indian subway construction. Take the “One Belt, One Road” express train to speed up the overseas market layout and further expand the Company's business landscape. In the first half of the year, the Company's rail transit screen door equipment industry realized operating income of RMB197,936,300, a year-on-year increase of 50.79%, net profit of RMB35,630,100, a year-on-year increase of 68.76%, and a gross profit margin of 28.00%, an increase of 4.67 percentage points. As of the end of the reporting period, the Company's rail transit screen equipment industry orders reserve reached RMB1,857,847,200, an increase of 27.38% compared with the beginning of the year, which is 9.38 times of the company's rail transit screen equipment industry operating income in the first half of the year. The Company's rail transit screen door equipment industry has reached a new level, entering a new era of rapid development and continuing to lead the industry.

During the reporting period, the Company's construction of the screen door system of the Wuhan Metro Line 2 South Extension Line, Zhengzhou Metro Line 5, Lanzhou Metro Line 1 Phase 1, and Nanchang Metro Line 2 after the passage section were opened. At present, Fangda's screen door system has been applied in rail transit in 41 cities around the world. The domestic coverage of the screen door system is over 60%. There are more than 10 million people using the large screen door system every day. The market share has ranked first in the world for nearly five years, and the Company is the world's largest supplier of rail transit screen doors.

On May 10, the Company participated in the preparation of the national standard “Evaluation Method for Urban Rail Transit Energy Consumption and Emission Indicators” (GB/T 37420-2019) 5 year, which was issued by the State Administration of Markets

and the National Standardization Administration of China, and will be published in 2019 and formally implemented on December 1, 2019. The Company's participation in the preparation of the first domestic screen door industry standard "Urban Rail Transit Platform Screen Door", and in the standard compilation in the domestic rail transit field reflect the Company's technology in the urban rail transit field.

3. New energy industry

In the first half of the year, there were more rains. The Company strengthened the operation and maintenance of solar photovoltaic power station equipment. The three solar photovoltaic power plants that have been connected to the grid have maintained efficient and safe operation.

4. Real estate

(1) Shenzhen Fangda Town Project: In the first half of 2019, the Fangda Town project achieved a sales area of 2,853.75 square meters and an accumulated sales area of 85,264.25 square meters. As of the end of the first half of 2019, the area for sale was 7,822 square meters. The business investment signing rate was 94%, the cumulative rental area of 1# building was 16,854.13 square meters, and the occupancy rate was 23.24%.

(2) Nanchang Fenghuangzhou Project (Fangda Center Project): The project is located in Fenghuangzhou Area, Honggutan New District, Nanchang City. Construction started in May 2018. The project covers an area of about 17,000 square meters and has a total construction area of about 93,000 square meters. With a total construction area of 66,000 square meters, Jirong is a commercial complex covering commercial, apartment and office buildings. The self-use and sales area of the whole project is half of each. The project is scheduled to start pre-sale in the second half of 2019 and be completed and accepted in the first half of 2020. At present, the project construction is progressing in accordance with the expected engineering nodes. In the future, the project will contribute profits and cash flow to the Company.

(3) Shenzhen Fangda Bangshen Industrial Park Project: The project is located in Fuyong, Bao'an District, Shenzhen. It covers an area of 20,714.9 square meters and is currently an industrial plant. The project has begun to declare the project. As of the end of the first half of 2019, the project is still in the stage of approval.

(4) Urban renewal project along the Dagang River in Henggang, Shenzhen: The project is located in Dakang Village, Yuanshan Street, Longgang District, Shenzhen. The area of the project to be demolished is about 80,000 square meters. The update direction is mainly residential function, and finally subject to government approval. The project work is currently being actively promoted.

5. Awards

During the reporting period, the Company won the title of "Guangdong Province May 1st Labor Award", "Shenzhen Quality Strong City Key Enterprise", "2018 Shenzhen Quality Credit Demonstration Unit", and was awarded the "Innovation China Top 100 Listed Company" award. Ranked 12th in the growth list of A-share listed companies in the past five years.

Fangda Jianke Co., a wholly-owned subsidiary, was awarded "2019 Shenzhen University Building Doors and Windows Curtain Wall Industry Academic Exchange Advanced Unit". General Manager Wei Yuexing won the "Innovative Talents" award in Shenzhen Decoration Industry and Zhang Jianhui, Regional Manager, won the "Top Ten Outstanding Project Managers" award. Senior designer Hu Guangzhou won the "Top Ten Young Designers" award and the curtain wall maker Xu Xiuhui won the "Top Ten Star Craftsmen" award. The four curtain wall projects including Fangda Town (Phase I), Shenyue Shangcheng (Southern District) Tower 2, China Energy Storage Building and China Southern Power Grid Production and Research Comprehensive Base undertaken by the company won the "China Construction Engineering Decoration Award". Shenzhen Hanjing Finance curtain wall project was awarded "My Favorite Curtain Wall Project".

Fangda Zhichuang Technology, a wholly-owned subsidiary, was awarded "Shenzhen Metro 2018 Excellent Equipment Supplier", "Shenzhen Metro Phase III Excellent Equipment Supplier", and "Shenzhen Metro Line 7, 9 and 11 Performance Evaluation Excellent Unit". "2018 Xi'an Metro Construction Labor Competition Advanced Unit", employees Ouyang Kehua, Zhu Zhenfei, Kong Debing were awarded "Shenzhen Baiyou Craftsman" and Tang Long was awarded "2018 Xi'an Subway Construction Labor Competition Advanced Individual".

Fangda Jiangxi New Material received titles including 2018 Nanchang High-Tech Industry Park Leading Enterprise, and Leading Company in Standardization.

After 2018, the wholly-owned subsidiary Fangda Real Estate Co., Ltd. was once again awarded the "Shenzhen Real Estate Development Industry Brand Value Enterprise" award by the Shenzhen Real Estate Association.

2. Related issues involved the financial report

(1) Statement of changes to accounting policies, estimates and audit methods compared with the financial report of the report period

√ Applicable □ Inapplicable

(1) In 2017, the Ministry of Finance revised and released the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 - Hedge Accounting" "Accounting Standards for Business Enterprises No. 37 - Financial Instruments Presentation" (hereinafter collectively referred to as the "New Financial Instruments Standards"), and requires enterprises listed in China to implement the above accounting standards from January 1, 2019. In accordance with the above requirements, the Company implement the new financial instrument guidelines from January 1 2019.

The specific impact of the implementation of the new financial instruments guidelines on the financial statement items at the beginning of 2019 is as follows:

① Provision for impairment according to the new financial instrument standard adjustment to reduce the bad debt provision for accounts receivable by RMB 12,690,700, reduce the provision for bad debts of other receivables by RMB 2,145,000, reduce the deferred income tax assets by RMB 3,305,900 and increase the initial surplus reserve by RMB 8,300, and increase the undistributed

profit of RMB 11,521,500 at the beginning of the period.

② The non-trading equity instrument investment is designated as a financial asset measured at fair value and its changes are included in other comprehensive income. The original provision for impairment is adjusted to other comprehensive income and the other comprehensive income at the beginning of the period is reduced by RMB 5,166,400. The initial surplus reserve is increased by RMB 516,600 and the undistributed profit is increased by RMB 4,649,800 at the beginning of the period.

The impact of the implementation of the new financial instrument criteria on the company's current financial statement items and amounts is as follows:

Provision for impairment according to the new financial instrument standard, adjustment and reduction of bad debt provision for accounts receivable of RMB1,215,500, increase of bad debt provision for other receivables of RMB2,084,200, corresponding increase of deferred income tax assets of RMB436,200, increase credit impairment losses of RMB868,800, reduced income tax expenses of RMB436,200, reduced net profit attributable to the parent company of RMB419,300, and reduced undistributed profit of RMB416,600.

(2) On April 30, 2019, the Ministry of Finance issued the Notice on Amending the Format of the 2019 Annual General Enterprise Financial Statements (Accounting [2019] No. 6). Enterprises requiring the implementation of corporate accounting standards should follow the Accounting Standards for Business Enterprises, requiring for the preparation of the 2019 interim financial statements and annual financial statements and financial statements for subsequent periods. In accordance with the above notification requirements, the Company has adjusted the financial statement items accordingly, starting from the 2019 interim financial statements.

Item It only affects the listing of related items in the financial statements, and does not affect the company's total assets, total liabilities, net assets and net profit.

(2) 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

(3) Statement of change in the financial statement consolidation scope compared with the previous financial report

☒ Applicable ☐ Inapplicable

1. During the period, Fangda Southeast Asia Company Limited was newly established, and the merger of enterprises under the same control increased Shenzhen Zhongrong Litai Investment Co., Ltd., adding 2 subsidiaries in the current consolidated statement. In this period, Shenzhen Kexunda Software Co., Ltd., an indirect controlled subsidiary, was canceled, so the current consolidated statement reduced one subsidiary.