China Fangda Group Co., Ltd.

Plan for Private Issuing of A-shares 2012

Stock Code: 000055, 200055
Stock ID: Fangda Group, Fangda B
Announcement No. 2012-12

March 2012
Table of Contents

Company Statements........................................................................................................1
Special Prompts.............................................................................................................2
Definitions......................................................................................................................3
Chapter I. Summary of the preplan ..................................................................................4
   I. Company profiles.....................................................................................................4
   II. Circumstance and purposes of this private issuing ..............................................4
   III. The subscriber and way of subscribing ...............................................................10
   IV. Type of shares to be issued privately, price and pricing rules, amount of shares to issue, trade limitation period, and arrangement for retained profit ...............................................10
   V. Investment projects financed by the proceeds .....................................................10
   VI. Situation of related transactions ........................................................................11
   VII. Whether it will cause change in controlling power over the Company ............11
   VIII. Approvals from authorities obtained and to be obtained ................................11
   IX. Valid period of the resolutions on the private issuing ........................................11
Chapter II. Profiles of the Subscriber ...........................................................................12
   I. Basic information about the subscriber ................................................................12
   II. Summary of the conditional share subscribing contract ......................................14
Chapter III. Feasibility report of the Board on usages of the proceeds .........................15
   I. Application plan of the proceeds ............................................................................15
   II. Necessity and feasibility of using the proceeds ....................................................15
   III. Influences on the administration and financial situation ....................................15
   IV. Filing and approving issues involved ..................................................................16
Chapter IV. Analyze of the Board on the influences on the Company .........................16
   I. Influences of the issuing on the Company’s business, asset, the Articles of Association, shareholder structure, senior management, and revenue structure ........................................16
   II. Change of financial situation, profitability and cash flow situation after the issuing ......16
   III. Business and administrative relationship between the Company and the controlling shareholder and its related parties, related transactions and horizontal competition ..........16
   IV. Whether there is any adoption of capital by the controlling shareholder or its related parties upon completion of this issuing, or, whether the Company is providing guarantees to the controlling shareholder or its related parties ...............................................................17
   V. Influence of the issuing on the Company’s liability situation ...............................17
   VI. Statement on risks related to the private issuing .................................................17
Company Statements

The directors, and the Company acknowledge that there isn’t any false record, misleading statement or significant omission carried in this announcement and will take individual and joint responsibilities for the truthfulness, accuracy, and completeness of the announcement.

Upon completion of this private issuing, the Company is responsible for the changes in business operation and profitability; whereas the investors shall undertake the risks caused by subscription of the shares issued privately this time.

This plan is a description on the private issuing made by the Board of Directors. Any statements contrary to this article are false.

Investors shall inquire stock brokers, lawyers, professional accountants or other professional consultants if have any doubt.

Descriptions in this plan are not suggesting substantial judgment, confirmation, approval, or verification of the authorities on this private issuing. Issues carried in this plan are subject to the approval or verification of the relative authorities.
Special Prompts

I. The proposal of private issuing of A-shares in 2012 has been examined and passed at the 8th meeting of the 6th term of Board of China Fangda Group Co., Ltd. The plan is subject to approval of the shareholders’ meeting.

II. Shenzhen Banglin Technology Development Co., Ltd. – the largest shareholder of the Company, will be the only subscriber of this private issuing.

III. Proceed from this private issuing will not more than RMB149.45 million, which will be used to support the working capital of the Company.

IV. Amount of A shares issued privately this time will not be more than 35 million shares (included). The pricing ex-date will be the day when the announcement of resolutions of the 8th meeting of the 6th term of Board (March 21, 2012). The price will be 90% of the average price in 20 days prior to the pricing ex-date, namely RMB4.27 per share.

IV. Amount of A shares issued privately this time will not be more than 100 million shares (include). The pricing ex-date will be the day when the announcement of resolutions of the 6th meeting of the 5th term of Board (March 28, 2009). The price will not lower than 90% of the average price in 20 days prior to the pricing ex-date, namely not lower than RMB5.39 per share. In case ex-dividend or ex-interest events happened during the period from pricing ex-day to issuing day, such as dividend distribution, bonus shares, or capitalizing of common reserves, the price shall be adjusted correspondingly. The Shareholders’ Meeting authorizes the Board to finalize the price upon approval of China Securities Regulatory Commission and consulting to the organizational investors by the issuer and the sponsor, amount of issuing will be then decided.

V. This plan of private issuing of A shares is subject to the examination of the shareholders’ meeting and submit to CSRC for approval.
Definitions

The following terms are defined to the meanings in the right, except for specified otherwise.

<table>
<thead>
<tr>
<th>Term</th>
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</thead>
<tbody>
<tr>
<td>The Company, Company, Fangda Group</td>
<td>China Fangda Group Co., Ltd.</td>
</tr>
<tr>
<td>The Subscriber, Banglin Technology</td>
<td>Shenzhen Banglin Technologies Development Co., Ltd.</td>
</tr>
<tr>
<td>this time of issuing, the private issuing</td>
<td>The action undertaken by China Fangda Group Co., Ltd. to issue A-shares privately in 2012</td>
</tr>
<tr>
<td>This plan</td>
<td>The Plan for Private Issuing of A-shares 2012 made by China Fangda Group Co., Ltd.</td>
</tr>
<tr>
<td>Pricing Ex-date</td>
<td>The announcement day of the resolutions of the Board meeting regarding this private issuing</td>
</tr>
<tr>
<td>CSRC</td>
<td>China Securities Regulatory Commission</td>
</tr>
<tr>
<td>SSE</td>
<td>Shenzhen Stock Exchange</td>
</tr>
<tr>
<td>RMB</td>
<td>RMB Yuan</td>
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</table>
Chapter I. Summary of the preplan

I. Company profiles

Name in Chinese: 方大集团股份有限公司
In English: CHINA FANGDA GROUP CO., LTD.

Stock Listed in: Shenzhen Stock Exchange
Stock ID: Fangda Group, Fangda B
Stock code: 000055,200055
Registered capital: RMB756909905.00
Legal representative: Mr. Xiong Jianming
Date of incorporation: April 20, 1994
Registered address: Fangda Building, Kejinan 12th Avenue, High-tech Zone, Shenzhen, PR China.

Secretary of the Board: Zhou Zhigang
Address: Fangda Town, Xili Longjing, Nanshan District, Shenzhen
Post code: 518055
Contact number: 0755-26788571-6622
Fax: 0755-26788353
Email: fd@fangda.com
Website address: www.fangda.com

II. Circumstance and purposes of this private issuing

The national government is currently promoting energy saving, clean production and sustainable development, especially in construction area and developing of new energy. A number of national policies were produced to support the development in these areas.

The Company has engaged mainly in three of the government-facilitated industries – curtain wall & materials, railroad equipments, and LED lighting products.

The Company’s curtain wall & material business is mainly the production of energy-saving curtain wall materials, and also energy-saving doors and windows, and auto-clean nano aluminum plates.

As the first producer of energy saving curtain wall products, the Company is also the first listed company of this industry. In its 20 years of history, the Company has accomplished hundreds of large projects in and outside the country. The Company has been awarded multiple “Top 50 Curtain Wall Producer in China”, and “Luban Award for Construction Projects” – the highest award in the country, for three times, and dozens of provincial and ministry awards. “Fangda” brand has gain high reputation in the industry with strong competition.
With its over 100 patents, the Company has been holding leading technology advantages in the curtain wall industry. We participated in producing of industrial standard and national standard and are now holding seven industrial records in the country. Through years of development, the Company has become the pioneer and leader of energy saving curtain wall industry.

Metro station screen door system is the Company’s leading product in railway transportation industry. Train cart doors, automatic doors, and special doors are other products of the Company. Metro station screen door is featured safe, energy-saving, and environmental protection, and is a high-tech product combined intelligent controlling technologies and electro-mechanism technologies.

The Company stepped into this area in 1999, and broke the monopoly of overseas manufacturers in domestic market. Up to present, we have accomplished dozens of screen door projects in and outside the country, and have good reputation and shown great technical power in the market.

Through this private issuing of shares, the Company will further reinforce its financial resources to develop greater competition in curtain wall and PSD industries. It will support the rapid growth constantly.

(I) Circumstances of the private issuing

1. Government policy

(1) The Curtain Wall Industry

As described in the “Summary of the 12th five-year-plan of PRC”, the government attaches great importance to construction of a energy-saving and environment-friendly economy in the whole country. Green building and construction are promoted in the construction industry, and the newest construction process, material, and information technologies will be applied to improve the whole industry.

“Instructive opinions on sustainable development of curtain wall industry” (Zhong-zhuang-xie [2007]005) pointed out the direction of safe, energy saving, water saving, material saving, land saving, green and intelligent for the development of curtain wall industry.

In August 2010, the Ministry of Housing and Civil Construction issued the “Notice on enhancing energy-saving constructions in government buildings and large scale public facilities”, in which the target was set to reduce the energy consuming by 5% basing on the standard of 2009. In August 2011, the Ministry of Housing and Civil Construction issued the “12th five-year-plan of construction industry” and required the energy consuming to be reduced by 10% in the construction process.

The “Action Plan of Green and Energy-saving Construction” is about to be released by National Development and Reformation Committee and Ministry of Housing and Civil Construction. The Plan will facilitate energy-saving reconstruction of 570 million square meters, and new energy-saving construction of 1.1 billion square meters during the period of the 12th five-year-plan. Green construction standard will be a requirement for large public constructions over 20 thousand square meters, such as airports, railway stations, hotels, and shopping malls, since 2014. According to the national orientation, energy-saving curtain wall is going to be the overall direction of the curtain wall industry.
(2) The PSD Industry

Having issued several industrial policies such as “opinions about domestication of urban railway transportation equipments”, “domestication scheme of urban railway transportation equipments”, “several opinions about accelerating the development of urban railway equipment industry”, the national government has claimed explicitly that the average rate of domestication of the railway vehicles and electromechanical devices shall not be less than 70% in urban railway transportation projects. Also, the State Council have pointed out in “several opinions about accelerating the promotion of equipment manufacturing industry” that “domestication of A-type metro train” as the key one of the 16 important technical breakthroughs.

Considering to motivate the infrastructure construction of domestic urban railway system and promote the development of railway equipment manufacturing industry, the NDRC (National Development and Reform Committee) issued that “Ratified regulations about purchasing electromechanical equipments in urban railway system construction projects(NDRC Office Industry[2005] No.2084)” in October, 2005, in order to push forward the domestication of the urban railway equipments. The ShenZhen Development and Reform Bureau has listed PSD (metro platform screen door) among the encouraged projects. The construction of railroad, urban railway system and comprehensive transportation hub had been listed as key points in “the 12th Five-year Plan Synopsis of the People’s Republic of China” (2011).

2. Industrial Background

(1) The Curtain Wall Industry

Since 1983, China has gradually become the largest manufacturer and consumer of curtain wall products in the world. At present the country is in a period of accelerated industrialization and urbanization along with high tense and scale of energy consuming. Economic growth featured high investment, high consuming, and high pollution has been making the situation more and more worse.

The recent survey shows that the construction energy consuming has reached up above 40% of the total consuming. The construction scale is growing by 20% year on year in the whole country with newly completed area of over 2 billion square meters per annual, 90% of them are high energy-consuming buildings. All through the country, 95% of the existing 40 billion square meters are high energy-consuming constructions. The energy consuming per square meter of China is 2-3 times of the advanced countries. It is predicted that another 30 billion square meters of building will be constructed up to 2020. The problem of construction energy saving is becoming more and more severe.

In 2005, the Ministry of Housing and Construction issued the “Instruction on developing of energy and land saving civil and public constructions”, which set the target to reduce energy consuming by 65% with new constructions in large cities in North China and the costal area up to year 2020, and reconstruction of existing building shall be mostly completed.

At present, curtain walls (including light roofs) in the whole country are totaled to over 200 million square meters with 90% of them not energy-saving. According to the reconstruction plan of the national government, they will be replaced in all before
2020. Along with the new construction of 2 billion square meters per annual, the whole demand on energy-saving curtain wall will be increasing by 10 million square meters per annual. This is illustrating a giant market on energy-saving curtain wall products in coming years.

Up to present, there are 210 grade-I curtain wall engineering enterprises, and 246 grade-I curtain wall designing enterprises in the whole country, 122 of them hold both qualifications. The whole industry is composed of over 4000 production enterprises and 1000 supporting enterprises. However few of them hold the technologies of energy-saving curtain wall production of their own.

(2) Metro Platform Screen Door Manufacturing Industry (PSD)

Along with the sustained rapid and sound development of the domestic economy, the urbanization has speeded up obviously and the city size has expanded continuously. Now the time there are more than 40 cities containing more than 1 million inhabitants and more than 14 cities containing more than 2 million inhabitants. The cities, which have reached economics of scale, have submitted metro planning to the nation. Those urban traffic programming plans that the State Council has authorized and will still authorize are from 27 cities and need a total investment more than RMB 1,000 billion.

By the end of 2010, there had been 36 cities having submitted urban traffic programming plans to the relevant departments of the state and 28 cities having had their short range plan authorized by the government, in which including 90 railway lines counted up more than 2,700 km and taking a total investment more than RMB 1,072 billion. In the term of “the 12th Five-year Plan”, 2,500 km urban railway line will be constructed at an average rate of 500 km each year. And by the end of 2020, about 7000 km railway in all will be constructed over in the nation. China has become the biggest urban transportation construction market in the world and the next 10 years will be the development summit of the PSD industry.

3. Background of the Company: Technique and Brand Superiority

(1) The Curtain Wall Industry

Fangda Decoration Co., Ltd. – the fully-owned subsidiary, is the operator of the Company’s curtain wall business. It was one of the first curtain wall enterprises who was granted curtain wall engineering and designing qualification band I, and was appointed the national supported enterprise in this area. It led and participated in making of multiple national and industrial standard such as “Energy Saving Standard for Public Constructions”, and is holding over 100 patent technologies leading the whole industry of curtain wall. It is the first enterprise in the whole country which has its own technologies in designing, manufacturing, and integrating of energy-saving curtain wall products.

The company is one of the earliest enterprises who engaged in business of curtain wall and the company has gained a good deal of prizes in recent 20 years, including “China Top Ten of Curtain Wall Manufacturing Industry”, “China Top Fifty of Curtain Wall Manufacturing Industry”, “China Building Engineering LuBan Prize”(4 times),

-7-
“Zhan Tianyou Civil Engineering Prize” (1 time), “National Architectural Ornament Prize” (6 times), “Guangdong Province Outstanding Architectural Ornament Prize” (2 times), “Shenzhen Architectural Golden Hawk Prize” (10 times), “Shanghai City Building Engineering Magnolia Award” (1 time), “Jiangsu Province Architectural Ornament Zijinbei Prize” (1 time), “Fujian Province Minjiang River Outstanding Engineering Prize” (3 times), “Xiamen City Outstanding Architectural Ornament Egret Prize” (1 time), “Chongqing City Bayubei Outstanding Engineering Prize” (1 time), etc. Taking the advantage of the “Fangda” brand, the company had performed hundreds of curtain wall constructions for different companies all over the world. These construction projects are Beijing Olympic Bicycle Field, China’s Foreign Ministry Building, Beijing IBM Building, China Certificated Public Account Beijing Training Basement, Shanghai Central Square, Shanghai Ganghui Square, Shanghai Jinling Haixin Building, Shanghai Huaxia Financial Square, Shanghai International Trade Mart, China Unionpay Shanghai Information Centre, Nanjing International Exhibition Centre, court records building of Nanjing Intermediate People’s Court, Nanjing China Life Insurance Square, Nanjing Yinhe Building, Nanjing Quanfeng Headquarters Office Building, Guangzhou Jianlibao Building, Guangzhou Building, Guangdong Province Police Hall Commanding Center, Guangzhou Heyin Square, Guangzhou Zhongtai International Square, Guangzhou Huapu Square, Guangzhou Tianhe East Tower, Guangdong Olympica Sports Centre, Shenzhen Wuzhou Hotel, Shenzhen 26th University Games Opening Ceremony Gym, Shenzhen 26th University Games Stadium, Shenzhen Baoan International Airport Terminal, Shenzhen Baoan International Airport New T3 Terminal, Shenzhen Zhongxin Square, Shenzhen International Conference and Exhibition Centre, Shenzhen New World Trade Mart, Shenzhen Green Scene Jiyuan Building, Shenzhen Jiali Construction Square, Shenzhen News Building, Shenzhen Wuzhou Hotel, Zhengzhou Xuedian International Airport, Sanya International Airport, Lanzhou Zhongchuan International Airport, Chengdu Shuangliu International Airport, Hunan News Building, Shenyang Xingmoer Shopping Square, Dalian International Trade Mart, Dalian Wanda Mansion, Chongqing Times Square, Chongqing Imperial Square, Guangxi Liuzhou Wenchang Building, Wuhan New World International Centre, Nanning International Conference and Exhibition Centre, Xian AsiaEurope Economic Cooperation Forum, Creative and Natural Hall of Xian Expo Garden, Hohhot Shangrila Hotel, Hangzhou Yuedu Trade Building, Ningbo ShangriLa Hotel, Xiamen Fuhai Financial Centre, Xiamen Strait Communication Centre, Xiamen Logistics Centre, Nanchang Red Valley Building, Nanchang Crown Plaza Hotel, Nanning International Conference and Exhibition Centre, Liuzhou International Conference and Exhibition Centre, Rwanda International Airport Terminal (Angola), Macao Science and Technology Museum, Media Square of Melbourne (Australia), Ulan Bator Shangrila Hotel (Mongolia), etc.

In the field of designing and building energy saving curtain wall, the company has taken itself to the first place many times. And it’s proud of having performed the projects listed below. The first energy saving air-managing curtain wall in the nation--- the Curtain Wall Project of Beijing National Accounting Institute, the first curtain wall integrated photovoltaics in the nation--- the Photovoltaic Curtain Wall Project of Shenzhen Fangda Building, the first national grade energy saving building demonstration project in the nation--- the Tsinghua University Olympic Energy Saving Demonstration Project, the first colored and energy saving board-made curtain wall in the nation--- the Curtain Wall Project of Shenzhen News Building, the first energy saving super highrise residential building demonstration project in the nation--- Hangzhou City Xinyu Curtain Wall Project, the first high performance...
curtain wall in the nation whose water tightness reaches 1,000 Ph --- Shenzhen Mangrove West Bank Curtain Wall Project, the biggest cascade spiral dot mode glass structure curtain wall in the world --- Shenzhen New World Trade Centre Rugby Curtain Wall Project, the biggest LED color display curtain wall in the world --- Shanghai Citibank LED Color Display Curtain Wall Project, the first new type thermal-protective door and window system in the nation --- Tsinghua University Ultra Low Power Demonstration Project, the first new type polycarbonate facet type system in the nation --- Shenzhen Stadium for the 26th University Games, etc.

(2) Metro platform screen door manufacturing industry (PSD)

The stock issuer took the lead in manufacturing metro platform screen door since 1999 and broke the monopoly formed by foreign companies. And the stock issuer has already obtained a qualified ability to afford customers complete set of solution with complete propriety intellectual property rights for curtain wall construction.

The screen door system which is developed independently by the company had passed the test of the State Ministry of Construction in 2005 and the “urban metro platform screen door/safety gate system” test of China Communications and Transportation Association Urban Railway Transportation Professional Committee. The stock issuer also took charge of working out the first industrial standard 《metro platform screen door》 in the nation. The stock issuer obtained a certain technological superiority in this industry now in the nation, too.

The stock issuer is one of the earliest companies coming into the market and issued both A stocks and B stocks. The company masters the core techniques of screen door system and it also is the maker of the national industry standard. In the history, the company had performed the screen door construction engineering of many projects such as Shenyang Metro Line 1, Dalian Metro Line 1, Tianjin Metro Line 1, Xian Metro Line 1, Wuhan Metro Line 1, Nanjing Metro Line 1, Guangzhou Metro Line 1, Guangzhou Metro Line 3, Shenzhen Metro Line 1 Extension, Shenzhen Metro Line 2, Shenzhen Metro Line 4 Extension, Shanghai Metro Line 1 Circus Stop, Hong Kong Metro Line 1 Nanchang Stop, some stops of Taipei Mass Rapid Transit Line and the major facilities engineering of Beijing Metro Line 5 half-height screen door project, etc. The stock issuer possess a great brand superiority nowadays in this industry.

(II) Purpose of the private issuing

1. To enhance the main business operation

PV curtain wall, energy saving curtain wall, and metro screen door are the businesses supported by the national government. At present, the Company is holding great competition power with its superior advantages in technologies, manpower, and market reputation.

Through private issuing of A shares, the Company will gain financial capacity to develop these advantages to integrate current resources and expand the production of PV curtain wall, energy saving curtain wall, and metro station screen door system, further increase the competition power and risk-resistant ability, to realize steady growth and greater reward to the shareholders.
2. Refine financial structure and lift risk-resistance power

The proceeds of the issuing will be mainly used for supporting of working capital. It will contribute by reinforcing capital operation and refining capital structure and therefore increase stability and risk-resistant.

III. The subscriber and way of subscribing

Banglin Technology is the largest shareholder of the Company and will be the only subscriber of this private issuing. As of December 31, 2011, Banglin Technology is holding 68,774,273 shares of Fangda Group and account for 9.09% of the total capital shares.

Banglin Technology will subscribe the shares by cash.

IV. Type of shares to be issued privately, price and pricing rules, amount of shares to issue, trade limitation period, and arrangement for retained profit

(I) Type of shares to be issued

Shares to be issued will be common shares in Renminbi (A-shares) with face value of RMB1.00

(II) Pricing policy and the issuing price

The pricing ex-date will be the day when the announcement of resolutions of the 8th meeting of the 6th term of Board (March 21, 2012). The price will be 90% of the average price in 20 days prior to the pricing ex-date, namely RMB4.27 per share.

In case ex-dividend or ex-interest events happened during the period from pricing ex-day to issuing day, such as dividend distribution, bonus shares, or capitalizing of common reserves, the price shall be adjusted correspondingly.

The average price in 20 days prior to the ex-day = Total value of share trading in 20 days prior to the ex-day /total amount of shares traded in 20 days prior to the ex-day.

(III) Amount of shares to be issued

A-shares issued this time will not be more than 35 million shares (included). If the Company conducted dividend distribution, bonus share distribution, capitalizing of common reserves during the period from the pricing ex-date to the issuing date, the amount to be issued will be adjusted accordingly.

(IV) Arrangement of trade-limitation period

Shares subscribed by Banglin Technology at this private issuing are not allowed to be transferred in 36 months since the closing day of this private issuing.

(V) Arrangement for retained profits before the private issuing

Upon accomplishing of the issuing, the new shareholders will share the retained profit of the current year and accumulated from previous years along with the existing shareholders.

V. Investment projects financed by the proceeds

Proceed raised from this private issuing will not more than RMB149.45 million, which will be used to support the working capital of the Company.
VI. Situation of related transactions

For Banglin Technology is the largest shareholder of the Company and the only subscriber of this private issuing, it is forming a related transaction. The Company will follow the procedures about related transactions strictly according to the related regulations.

VII. Whether it will cause change in controlling power over the Company

As of December 31, 2011, Mr. Xiong Jianming, Chairman of the Board, was holding 99,185,356 shares (13.10% of the total shares) of the Company directly or indirectly. Upon completion of this private issuing, Mr. Xiong will hold 17.73% of the total capital shares of the Company provide the amount of shares issued this time is 35 million. Namely it will not cause change in controlling power of the Company.

VIII. Approvals from authorities obtained and to be obtained

This plan of private issuing has been approved at the 8th meeting of the 6th term of Board on March 20, 2012. It still need to be approved by the Shareholders’ Meeting of the Company and also by CSRC.

IX. Valid period of the resolutions on the private issuing

The resolution will be effective for 12 months since it was approved by the Shareholders’ Meeting.
Chapter II. Profiles of the Subscriber

I. Basic information about the subscriber

(I) Summary

Name of the subscriber: Shenzhen Banglin Technology Development Co., Ltd.
Date of incorporation: June 7, 2001
Certificate of incorporation: 440301102755972
Registered capital; RMB30 million
Legal representative: Chen Jinwu
Registered address: A707-3 Huaying Building, 97 Nanshang Road, Nanshan, Shenzhen
Business type: company with limited liability
Business scope: investing in industries (application procedures essential for each project), developing of electronic products, technical consulting, domestic commerce, material supplying (excluding special materials under government limitation or restriction), import and export business.

(II) Chart of relationships among the subscriber, its holding shareholder, and the substantial holder

```
100%
   /       |
 1.64%   85%  15%

100%  85%  15%
   /   /   /
 0.014% 9.09% 0.014%

Xiong Jianming  Xiong Xi

Shengjiu Investment Ltd.  Shenzhen Banglin Technology Development

Xiong Jianming is Xiong Xi's father

China Fangda Group Co., Ltd.
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(III) Business development of the subscriber

Banglin Technology is mainly engaged in investment businesses. It is not holding any shares of other companies other than China Fangda Group nor doing any other businesses.

(IV) Financial Statements of the latest fiscal year of the Subscriber (Note Audited)

The major financial information of Banglin Technology as of December 31, 2011 (Not audited):

<table>
<thead>
<tr>
<th>Items</th>
<th>2011.12.31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of assets</td>
<td>27,605.41</td>
</tr>
<tr>
<td>Total of liability</td>
<td>4,627.19</td>
</tr>
<tr>
<td>Owners’ equity</td>
<td>22,978.21</td>
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</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>-</td>
</tr>
<tr>
<td>Total profit</td>
<td>-22.97</td>
</tr>
<tr>
<td>Net profit</td>
<td>-22.97</td>
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</table>

<table>
<thead>
<tr>
<th>Items</th>
<th>Year 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net amount of cash flow from business operation</td>
<td>-6.58</td>
</tr>
<tr>
<td>Net amount of cash flow from investment</td>
<td>-</td>
</tr>
<tr>
<td>Net amount of cash flow from financing operations</td>
<td>9.93</td>
</tr>
</tbody>
</table>

(V) Particulars about any punishment or lawsuit against the Subscriber and its directors, supervisors, and executives in the latest five years

None of Banglin Technology and its current directors, supervisors, or executives is involved in any government punishment or criminal lawsuit (other than those which not related to the securities market), nor any finance-related civil lawsuit or arbitration issues.
(VI) Upon completion of the issuing, whether there will be competition or associated relationship formed between the Company and the subscriber and its holding shareholders or substantial holder.

Upon completion of the issuing, there will be no competition or associated relationship formed between the Company and the subscriber and its holding shareholders or substantial holder.

(VII) Material transactions between the Company and the Subscriber and its holding shareholder or substantial holder in 24 months before this issuing of shares

No such material transaction occurred between the Company and the Subscriber and its holding shareholder or substantial holder in 24 months before this issuing of shares.

II. Summary of the conditional share subscribing contract

The Company has entered the conditional Share Subscribing Contract with Banglin Technology with the main contents as:

(I) Parties of the contract: China Fangda Group Co., Ltd., Shenzhen Banglin Technology Development Co., Ltd.

(II) Amount of shares to be subscribed: not more than 35 million shares (included) to be subscribed by Banglin Technology.

(III) Way of subscribing: Banglin Technology is about to subscribe the shares issued by the issuer by cash.

(IV) Price of shares: not lower than 90% of the average of prices in 20 trading days before the disclosure the resolutions of the Board meeting about this private issue, namely RMB4.27 per share.

(V) Date and way of payment, and transferring of shares: As soon as the private issuing was approved by CSRC, Banglin Technology makes full payment to the special account with the amount and at the date as decided by the sponsoring organization (the main dealer). Upon completion of account verification, the sponsoring organization (the main dealer) will transfer the money to the special account of China Fangda Group Co., Ltd. after deducting of sponsoring fee. Then Fangda Group shall follow the share registration procedures as soon as possible.

(VI) Trade-limit period: shares subscribed by Banglin Technology shall not be sold in 36 months since closing of the private issuing.

(VII) Default: In any case that any default of agreement, responsibility, obligation, statement, or guarantee carried in this contract is deemed as defaulting. The defaulting party shall compensate all of the losses that caused to the other party.

(VIII) Taking effect and terminating of the contract: This contract will take effect as soon as it is signed by both parties and all of the following conditions are satisfied: The contract is approved by the Board of Directors of the Issuer; The contract is approved by the Shareholders’ Meeting of the Issuer; The private issuing is approved by CSRC. In contrary, if any of these conditions is not satisfied, the contract will terminate spontaneously.
Chapter III. Feasibility report of the Board on usages of the proceeds

I. Application plan of the proceeds

Please see Chapter I – V. Investment projects financed by the proceeds

II. Necessity and feasibility of using the proceeds

(I) Necessity and feasibility of using the proceeds

1. Along with the growth of the curtain wall and PSD market in recent years, the Company’s business kept growing constantly, and brought greater demand in capital. Shortness of working capital has been greatly limiting the rapid developing of the Company's business. And the market effect has not been fully developed.

2. As the characteristics of the curtain wall and PSD projects, the capital circulation periods are relatively long. Furthermore, a number of contracting and warranty deposits have occupied a large amount of working capital. Although the Company has used all measures to increase the effectiveness of capital operation, but still facing shortage of working capital.

3. Influenced by the restricting monetary policies of the national government, the deposit reserve ratio is at the historical high level and the benchmark interest rate has been rising. The Company is under great pressure of financial expenses and financial resources.

(II) Feasibility of the usage of proceeds

Benefit from the national policies, the Company’s curtain wall and PSD products are expecting a good trend in the market. This issuing of shares will support the Company’s working capital and reinforce the competition. It will greatly help to empower the business operation and ensure a sustainable development. It is for the greatest benefit for the shareholders.

III. Influences on the administration and financial situation

(I) Influences on the administration practice

Usage of the proceeds from this private issuing of A-shares is complying with the national policies and strategy approach. It will bring good perspective and economical efficiency. Upon completion of the projects, the Company will be further reinforced for its competition power and leading position in the industry. Greater profitability will not only contribute to the Company’s growth, but also to the benefits of the shareholders.

(II) Influences on financial situation

The following calculations are based on the assumption of proceeds amounted to RMB149.45 million, and the financial data are provide basing on the consolidated financial statements.

1. Lift the scales of total asset and net asset, increase risk-resistance power

Upon completion of this private issuing, the total asset and net asset will both increase by RMB149.45 million. As soon as the economical effectiveness has realized, both of the total asset and net asset will be growing continuously. And the Company’s
risk-resistance will be increased simultaneously.

2. Increase business income and profitability

Proceeds of this private issuing will be used to support the working capital. On the one side, it may satisfy the needs of business development, further reinforce the main businesses of the Company; on the other side, it will contribute to the achieving of economy of scale, and lower the costs, as well as increasing the profitability.

IV. Filing and approving issues involved

No land using, environmental issues, or project approval issues involved for the proceeds of this private issuing will be used as working capital.

Chapter IV. Analyze of the Board on the influences on the Company

I. Influences of the issuing on the Company’s business, asset, the Articles of Association, shareholder structure, senior management, and revenue structure

No rearrangement for company’s business and asset after this issuing.

After this offering, company constitution has no adjustment except for the adjustment of registered capital and capital stock.

Upon completion of this private issuing, the shareholding structure will change for the share portion of Banglin Technology will rise.

After this offering, senior management personnel will not change.

The Company’s main businesses will not change.

II. Change of financial situation, profitability and cash flow situation after the issuing

Upon available of the proceeds, the current asset, total asset and net asset will increase, liability on asset ratio will decrease, thus the capital structure will be optimized.

Liquid ratio will be increased to lower financial risks, reduce interest expenses, and increase overall profitability.

Upon completion of the private issuing, the cash flow from financing activities will increase. Meanwhile, using of the proceeds as working capital will satisfy the business growth, improve cash flow situation and lower the financial costs.

III. Business and administrative relationship between the Company and the controlling shareholder and its related parties, related transactions and horizontal competition

Upon completion of this private issuing, no change will happen to the business relationship and management relationship between the Company and the holding shareholder and its related parties. No horizontal competition will be developed.
IV. Whether there is any adoption of capital by the controlling shareholder or its related parties upon completion of this issuing, or, whether the Company is providing guarantees to the controlling shareholder or its related parties

There won’t be any adoption of capital by the controlling shareholder or its related parties upon completion of this issuing, nor the Company is providing guarantees to the controlling shareholder or its related parties.

V. Influence of the issuing on the Company’s liability situation

As of September 30, 2011, the liability on asset ratio was 44.05% on consolidated basis. Basing on the liabilities and assets in the Balance Sheet on September 30, 2011, and provided the proceed from this private issuing was RMB149.45 million, upon completion of this private issuing, the liability on asset rate will be reduced from 44.05% down to 41.05%, which is on an appropriate level. Thus this private issuing of shares will benefit the improving of capital cost situation, reduce financial cost pressure, and increasing of stability and risk-resistance of business operation.

VI. Statement on risks related to the private issuing

(I) Industrial risks

There are a great number of enterprises engaged in the designing and installation of curtain wall, in which a number of enterprises have great power in aspects of designing, installation, and management. The scale and standard of the industry will be upgraded constantly along with the upgrading of designing and installation process and application of new materials and technologies.

The Company is facing severe competitions against global providers such as Permasteelisa Gartner along with the implementing of the Company’s overseas strategy. Therefore there is still certain risks although the Company has its advantages in market loyalty and technologies.

PSD system industry is in its early stage of development in the country. Foreign competitors have been participated in the competition of domestic market. Local suppliers who have no qualifications will also engaged in the market by introducing foreign competitors. The coming decade will be the highest peak of the PSD market in the country. The Company will surely face severe market competition.

(II) Administration risks

Curtain wall business has the nature of wide distribution with multiple construction sites. The Company’s curtain wall projects scatter in main cities all over the country. This brings great difficulties to administration approach. The Company has established the internal controlling system covering all operation units from the headquarter to each project team, though the curtain wall projects have complicated operation flows and varies greatly one from another. It is crucial to have effective control over the quality, progress, safety, and capital operation of all the projects. There is risk of administrative failure in individual projects, which may cause impairment on the business.

(III) Risks from stock market fluctuation

This private issuing will influence the business operation and financial situation of the Company. Change in fundamental layer may influence the price of the Company’s
shares. On the other hand, change of macro situation and industrial prospects, adjustment of national policies, movement of investors’ prospects, will all make influences on the market price of the Company’s shares.

(IV) Risks from approval of the authorities

The private share issuing is subject to approval of the Shareholders’ Meeting as well as CSRC. There is certain uncertainty in approving procedure and date of approval.

China Fangda Group Co., Ltd.
The Board of Directors
March 21, 2012