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**CSG HOLDING CO., LTD.**

**ANNUAL REPORT 2013**



**Chairman of the Board:**

**ZENG NAN**

**March 2014**

## Section I Important Notice, Contents and Paraphrase

Board of Directors and the Supervisory Committee of CSG Holding Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Mr. Zeng Nan, Chairman of the Board & CEO of the Company, CFO Mr. Luo Youming and principle of the financial department Mr. Zhang Guoming confirm that the Financial Report enclosed in this 2013 Annual Report is true and complete.

All the directors are present the meeting of the Board for deliberating the annual report of the Company in person.

The deliberated and approved profit distribution plan in the Board Meeting is: taking total shares of 31 December 2013 as the radix, sending cash dividends of RMB 3.0 (tax included) per 10 shares to its all shareholders, neither bonus shares being sent, no converting capital reserve into share capital.

Regarding to the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Investors are advised to exercise caution of investment risks.

This report is prepared both in Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

## Content

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## Paraphrase

| Items                                 | Refers to | Contents  |
|---------------------------------------|-----------|---|
| Company, the Company, SG or the Group | Refers to | CSG Holding Co., Ltd.   |
| Shenzhen CSG Display                  | Refers to | Shenzhen CSG Display Technology Co., Ltd.   |
| Ultra-thin electronic glass           | Refers to | The electronic glass with thickness between 0.1~1.1mm   |
| TCO glass                             | Refers to | Plating a transparent conductive oxide in face of plate glass with physical or chemical coating way |
| OGS products                          | Refers to | A technology to forming ITO conducting film and sensor directly on cover glass                      |
| TP-Sensor                             | Refers to | Capacitive touch panel  |

## **Major risk warning**

**Existing policy risk, market risk and exchange rate risk have been well-described in this report, please found details of risks and countermeasures of future development described in Section IV Report of the Board of Directors.**

## Section II Company profile

### I. Company information

|  |  |                        |                  |
|--|--|------------------------|------------------|
| Code for A-share                           | 000012   | Code for B-share       | 200012           |
| Short form for A-share                     | Southern Glass A   | Short form for B-share | Southern Glass B |
| Listing stock exchange                     | Shenzhen Stock Exchange  |                        |                  |
| Legal Chinese name of the Company          | 中国南玻集团股份有限公司   |                        |                  |
| Abbr. of legal Chinese name of the Company | 南玻集团   |                        |                  |
| Legal English name of the Company          | CSG Holding Co., Ltd.  |                        |                  |
| Abbr. of legal English name of the Company | CSG  |                        |                  |
| Legal Representative                       | Zeng Nan   |                        |                  |
| Registered Add.                            | CSG Building, No.1, the 6 <sup>th</sup> Industrial Road, Shekou, Shenzhen, P. R.C. |                        |                  |
| Post Code                                  | 518067   |                        |                  |
| Office Add.                                | CSG Building, No.1, the 6 <sup>th</sup> Industrial Road, Shekou, Shenzhen, P. R.C. |                        |                  |
| Post Code                                  | 518067   |                        |                  |
| Internet website                           | <a href="http://www.csgholding.com">www.csgholding.com</a>                         |                        |                  |
| E-mail                                     | <a href="mailto:securities@csgholding.com">securities@csgholding.com</a>           |                        |                  |

### II. Person/Way to contact

|               | Secretary of the Board   | Rep. of security affairs   |
|---------------|--|--|
| Name          | Zhou Hong  | Li Tao   |
| Contacts add. | CSG Building, No.1 of the 6th Industrial Road, Shekou, Shenzhen, P. R.C. | CSG Building, No.1 of the 6th Industrial Road, Shekou, Shenzhen, P. R.C. |
| Tel.          | (86)755-26860666   | (86)755-26860666   |
| Fax.          | (86)755-26860641   | (86)755-26860641   |
| E-mail        | <a href="mailto:securities@csgholding.com">securities@csgholding.com</a> | <a href="mailto:securities@csgholding.com">securities@csgholding.com</a> |

### III. Information disclosure and preparation place

|   |   |
|---|---|
| Newspapers for information disclosure                 | China Securities Journal, Securities Times and Hong Kong Commercial Daily |
| Website assigned by CSRC to release the annual report | <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>                  |
| The place for preparation of the annual report        | Department of Securities Affairs  |

#### IV. Registration changes of the Company

|   | Date for registration | Place for registration                                   | Registration NO. for enterprise legal license | No. of taxation registration | Organization code |
|---|-----------------------|--|---|------------------------------|-------------------|
| Initial registration  | 1984-09-10            | Shenzhen Municipal Administration of Industry & Commerce | 440301501125544                               | 440300618838577              | 61883857-7        |
| Registration at end of report period                          | 2013-06-20            | Shenzhen Municipal Administration of Industry & Commerce | 440301501125544                               | 440300618838577              | 61883857-7        |
| Changes of main business since listing (if applicable)        | No changes            |  |   |                              |                   |
| Previous changes for controlling shareholders (if applicable) | No changes            |  |   |                              |                   |

#### V. Other relevant information

CPA engaged by the Company

|                      |   |
|----------------------|---|
| Name of CPA          | PricewaterhouseCoopers Zhong Tian LLP                                   |
| Offices add. for CPA | 11/F, Pricewaterhouse Coopers Center., 202 HuBin Road. Shanghai, P.R.C. |
| Signing Accountants  | Yao Wenping, Liu Jingping   |

Sponsor institute engaged by the Company for performing continuous supervision duties in reporting period

Applicable     Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable     Not applicable

## Section III Accounting data and summary of financial indexes

### I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes  No

|  | 2013           | 2012           | Changes over last year (%)        | 2011           |
|--|----------------|----------------|-----------------------------------|----------------|
| Operating income (RMB)   | 7,733,796,114  | 6,994,358,029  | 10.57%                            | 8,270,731,730  |
| Net profit attributable to shareholders of the listed company(RMB)   | 1,535,929,739  | 274,746,219    | 459.04%                           | 1,178,229,197  |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)              | 605,966,975    | 116,098,805    | 421.94%                           | 1,067,580,683  |
| Net cash flow arising from operating activities(RMB)   | 1,698,867,535  | 1,725,795,529  | -1.56%                            | 1,688,530,164  |
| Basic earnings per share (RMB/Share)   | 0.74           | 0.13           | 469.23%                           | 0.57           |
| Diluted earnings per share (RMB/Share)   | 0.74           | 0.13           | 469.23%                           | 0.57           |
| Return on Equity (%)   | 20.52%         | 4.04%          | 16.48%                            | 17.94%         |
|  | End of 2013    | End of 2011    | Changes over end of last year (%) | End of 2010    |
| Total assets (RMB)   | 15,078,866,777 | 14,335,809,746 | 5.18%                             | 15,281,391,077 |
| Net assets attributable to shareholder of listed company (Owners' equity attributable to shareholder of listed company ) (RMB) | 8,047,894,139  | 6,816,210,753  | 18.07%                            | 6,911,117,984  |

### II. Items and amounts of extraordinary profit (gains)/loss

Unit: RMB

| Item  | Amount in 2013 | Amount in 2012 | Amount in 2011 | Note |
|---|----------------|----------------|----------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)   | -136,459,236   | 7,202,099      | -1,940,045     | --   |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)   | 115,138,161    | 89,424,440     | 120,129,140    | --   |
| Gains on disposal of available-for-sale financial assets, gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and | 432,000        | 360,000        | 0              | --   |



|   |             |             |             |    |
|---|-------------|-------------|-------------|----|
| investment income from disposal of transactional financial assets and liabilities and financial assets available for sale |             |             |             |    |
| Other non-operating income and expenditure except for the aforementioned items  | 85,892,326  | 15,477,992  | 18,215,816  | -- |
| Other gains/losses satisfied definition of extraordinary profit (gains)/loss  | 926,639,137 | 71,306,374  | 4,392,843   | -- |
| Less: Impact on income tax  | 48,004,628  | 18,202,387  | 21,048,058  | -- |
| Impact on minority shareholders' equity (post-tax)  | 13,674,996  | 6,921,104   | 9,101,182   | -- |
| Total   | 929,962,764 | 158,647,414 | 110,648,514 | -- |

Explain reasons for the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*,

Applicable  Not applicable

| Item   | Amount involved (RMB) | Reasons   |
|--|-----------------------|---|
| Other gains/losses satisfied definition of extraordinary profit (gains)/loss | 926,639,137           | It was mainly due to the Company sold 19% equity of Shenzhen CSG Display Technology Co., Ltd, and the fair value of remaining equity increased. |

## Section IV Report of the Board of Directors

### I. Introduction

In 2013, the world economy still suffered a slow growth, the developed economies and emerging economies confronted with varying dilemma in way of development and trade protectionism in all forms rose obviously. The Chinese economy not only encountered challenges of insufficient demand from overseas market, frequent trade friction, imported inflation pressure and impact of hot money, but also confronted with multi-pressures from real estate control, economic restructuring as well as over capacity in majority of the industries. It is still a rough way for domestic real economy to revive in front of so many unfavorable factors. With a up and down state of the economic environment, the Company made full use of its own advantages, respond actively to the adverse impact from market environment under the right leadership of the Board, hard work from the management as well as associated efforts of the whole personnel. The Company continues to optimize mechanism of R&D innovation, construct R&D system and ability, increase input for R&D, further deepen differentiation management strategy with technological innovation and management innovation, consolidate the foundation of delicacy management. Totally 84 patent applications were submitted by the Company in 2013, and new 60 patent applications were granted. Currently, the Company owes 195 authorized patents in total, 44 invention patents included, which account for 22.6%. In 2013, CSG implemented revenue of RMB 7.734 billion with a year-on-year growth of 10.57%, net profit attributable to equity holders of the Company of RMB 1.536 billion with a year-on-year growth of 459%.

### II. Main business analysis

#### 1. Introduction

Unit: RMB

| Items                                    | 2013           | 2012           | Range of Change | Reasons and Analysis   |
|--|----------------|----------------|-----------------|--|
| Revenue                                  | 7,733,796,114  | 6,994,358,029  | 10.57%          | Revenue increased mainly because the sales and sale price of part of the products were higher than the same period of last year due to the economic situation improved |
| Operating cost                           | 5,501,300,657  | 5,355,802,923  | 2.72%           | --   |
| Selling and distribution expenses        | 267,394,775    | 234,821,552    | 13.87%          | Increase of selling and distribution expenses mainly due to the increase of the sales.   |
| General and administrative expenses      | 671,321,260    | 526,909,538    | 27.41%          | General and administrative expenses increased mainly because the management performance bonus was accrued in this year.  |
| Including: R&D expenditure               | 179,879,478    | 148,329,637    | 21.27%          | Increased of R&D expenditure was mainly due to more investment in R&D in this year.  |
| Financial expenses                       | 238,321,702    | 248,920,054    | -4.26%          | --   |
| Net cash flow from operating activities  | 1,698,867,535  | 1,725,795,529  | -1.56%          | --   |
| Net cash flows from investing activities | -1,052,078,756 | -1,173,000,884 | -10.31%         | Net cash flows from investing activities declined mainly   |

|  |              |              |        |  |
|--|--------------|--------------|--------|--|
|  |              |              |        | because more cash received relating to other investment activities in this year.   |
| Net cash flows from financing activities | -817,587,745 | -739,722,236 | 10.53% | The increase of net cash flow arising from financing activities was mainly due to more bank loan had been repaid in this year. |

Review on the previous development strategy and business plan and its progress during reporting period

During the reporting period, the Company launched the development strategy and business plan smoothly:

① In 2013, the Company successfully completed construction and management goals, the net profit achieved a great growth. In the construction, Xianning CSG Architectural Glass and Float glass production base had successfully been built and put into production, Chengdu architectural glass expansion project advanced as planned, Dongguan online coating project officially started, and the glass industry layout of the Company in China had created. In terms of ultra-thin glass, Hebei Panel Glass project had put into commercial operation in early 2013, Yichang ultra-thin glass project had been completed in February 2014, and Qingyuan high-performance ultra-thin glass project started full swing. Technical transformation project of polysilicon had been completed and entered into the trial production. The first period upgrade and relocation of fine glass industry had been completed basically and partially put into production.

② The Company insisted on steady financial policy, strengthened the management of accounts receivable and inventory, and improved the efficiency of funds use. The financial risk prevention capacity in 2013 had been further consolidated. The Company's average collection period was 10 days, lessing 6 days than last year; inventory turnover days were 25 days, lessing 5 days than last year.

③ The Company constantly built its own core competitiveness with technological advances, strengthened the construction of R&D system, making the R&D close to the market, to the production and to the industry. Totally 84 patent applications were submitted by the Company in 2013, and new 60 patent applications were granted. At present, the Company has successfully put ultra-thin glass of 0.7 ~ 1.1 mm into mass production, whose product quality has reached the international advanced level. The Company has made very good progress in the production and promotion of the second generation and the third generation energy saving glass, the sales of which was over 60% in the Company's coated insulating glass. The Company has smoothly undergone the mass production of 250W high efficient modules in the field of solar photovoltaic which laid a foundation for subsequent development of photovoltaic industry. In the field of fine glass, OGS products have also been successfully produced, and the yield achieved a higher level in the industry.

④ In 2013, the Company enhanced refined management while developing the potential of cost decreasing and benefit increasing, furthermore, strengthened complex management of energy. The comprehensive energy consumption for every 10,000 Yuan output was reduced by 11.07% as compared with that in 2012, production costs of each industry had declined. In particular, after ignition of line-3 solar energy glass, profitability was maintained due to the costs were sharply down over 30% compared with line-1 and line-2 through continuous efforts of the Company.

⑤ The Company has obtained certain achievement in human resources management and internal control construction. In human resources management, the Company attached great importance to the stability of staff team, and opened channels for promoting professional and technical personnel. In the aspect of internal control construction, the Company constantly strengthened the implementation of internal control system through strict appraisal, and constantly perfected internal control system via analyzing and solving problems encountered during the implementation of it.

Reasons for difference of actual operation performance has 20% lower or higher than profit forecast of the Year disclosed

Applicable  Not applicable

## 2. Revenue

Explanation

In reporting period, operation revenue increased compared with the same period of last year. It's mainly because float glass market

demand had a recovery and the price of float glass increased. Meanwhile, the solar energy industry recovered benefited from a series of national policies, and the price of both polysilicon and photovoltaic modules increased.

Whether income from physical sales larger than income from labors or not

Yes  No

Unit: RMB

| Industries                   | Item      | 2013          | 2012          | Increase/decrease y-o-y (%) |
|------------------------------|-----------|---------------|---------------|-----------------------------|
| Flat glass industry          | Sales     | 3,958,217,805 | 3,267,115,428 | 21.15%                      |
|                              | Output    | 3,112,857,799 | 2,850,882,794 | 9.19%                       |
|                              | Inventory | 90,253,902    | 81,678,153    | 10.50%                      |
| Architectural glass industry | Sales     | 2,854,745,532 | 2,606,282,367 | 9.53%                       |
|                              | Output    | 1,972,836,273 | 1,744,662,768 | 13.08%                      |
|                              | Inventory | 59,892,430    | 44,013,499    | 36.08%                      |
| Solar energy industry        | Sales     | 945,054,866   | 821,145,144   | 15.09%                      |
|                              | Output    | 752,874,808   | 838,659,138   | -10.23%                     |
|                              | Inventory | 9,661,010     | 71,459,809    | -86.48%                     |
| Fine glass industry          | Sales     | 794,643,237   | 913,176,044   | -12.98%                     |
|                              | Output    | 477,051,449   | 574,399,215   | -16.95%                     |
|                              | Inventory | 13,634,314    | 18,009,525    | -24.29%                     |

Reasons for y-o-y relevant data with over 30% changes

Applicable  Not applicable

In reporting period, inventory of architectural glass industry increased mainly because Xianning Energy-saving Substrate Project was put into commercial operation in the year. Inventory of solar energy industry decreased because photovoltaic industry overall had a warming trend in 2013 and the market demand increased.

Material orders in hands

Applicable  Not applicable

Material changes or adjustment for products or services of the Company in reporting period

Applicable  Not applicable

Major sales client of the Company

|   |               |
|---|---------------|
| Total sales to top five clients (RMB)                     | 1,046,478,319 |
| Proportion in total annual sales for top five clients (%) | 14%           |

Information of top five clients of the Company

Applicable  Not applicable

| Serial | Name     | Sales (RMB)   | Proportion in total annual sales (%) |
|--------|----------|---------------|--------------------------------------|
| 1      | Client A | 309,286,785   | 4%                                   |
| 2      | Client B | 278,493,574   | 4%                                   |
| 3      | Client C | 163,756,087   | 2%                                   |
| 4      | Client D | 152,379,163   | 2%                                   |
| 5      | Client E | 142,562,710   | 2%                                   |
| Total  | --       | 1,046,478,319 | 14%                                  |

### 3. Cost

Industry classification

Unit: RMB

| Industry classification      | Item         | 2013          |                             | 2012          |                             | Y-o-y changes (%) |
|------------------------------|--------------|---------------|-----------------------------|---------------|-----------------------------|-------------------|
|                              |              | Amount        | Ratio in operation cost (%) | Amount        | Ratio in operation cost (%) |                   |
| Flat glass industry          | Raw material | 1,167,991,269 | 37.63%                      | 1,029,442,702 | 36.31%                      | 13.46%            |
|                              | Labor wages  | 157,054,361   | 5.06%                       | 146,221,205   | 5.16%                       | 7.41%             |
|                              | Depreciation | 283,818,813   | 9.14%                       | 240,801,560   | 8.49%                       | 17.86%            |
|                              | Energy       | 1,304,509,562 | 42.02%                      | 1,221,441,507 | 43.08%                      | 6.80%             |
|                              | Other        | 190,908,044   | 6.15%                       | 197,630,942   | 6.97%                       | -3.40%            |
| Architectural glass industry | Raw material | 1,298,813,030 | 66.37%                      | 1,099,177,645 | 64.45%                      | 18.16%            |
|                              | Labor wages  | 229,253,406   | 11.71%                      | 218,393,700   | 11.42%                      | 4.97%             |
|                              | Depreciation | 166,462,367   | 8.51%                       | 152,301,700   | 8.77%                       | 9.30%             |
|                              | Energy       | 179,228,596   | 9.16%                       | 170,613,200   | 9.82%                       | 5.05%             |
|                              | Other        | 83,199,943    | 4.25%                       | 96,117,100    | 5.53%                       | -13.44%           |
| Solar energy industry        | Raw material | 648,806,733   | 79.64%                      | 472,270,784   | 55.61%                      | 37.38%            |
|                              | Labor wages  | 54,258,238    | 6.66%                       | 49,910,663    | 5.88%                       | 8.71%             |
|                              | Depreciation | 47,487,861    | 5.83%                       | 86,488,626    | 10.18%                      | -45.09%           |
|                              | Energy       | 42,093,169    | 5.17%                       | 218,992,080   | 25.78%                      | -80.78%           |
|                              | Other        | 22,027,605    | 2.70%                       | 21,640,660    | 2.55%                       | 1.79%             |
| Fine glass industry          | Raw material | 246,639,543   | 51.23%                      | 288,178,359   | 50.40%                      | -14.41%           |
|                              | Labor wages  | 72,720,990    | 15.11%                      | 82,598,045    | 14.45%                      | -11.96%           |
|                              | Depreciation | 49,878,082    | 10.36%                      | 58,856,300    | 10.29%                      | -15.25%           |
|                              | Energy       | 51,456,589    | 10.69%                      | 62,127,935    | 10.87%                      | -17.18%           |
|                              | Other        | 60,731,456    | 12.61%                      | 80,020,627    | 13.99%                      | -24.11%           |

Product classification

Unit: RMB

| Product classification | Item         | 2013          |                             | 2012          |                             | Y-o-y changes (%) |
|------------------------|--------------|---------------|-----------------------------|---------------|-----------------------------|-------------------|
|                        |              | Amount        | Ratio in operation cost (%) | Amount        | Ratio in operation cost (%) |                   |
| Flat glass             | Raw material | 1,167,991,269 | 37.63%                      | 1,029,442,702 | 36.31%                      | 13.46%            |
|                        | Labor wages  | 157,054,361   | 5.06%                       | 146,221,205   | 5.16%                       | 7.41%             |
|                        | Depreciation | 283,818,813   | 9.14%                       | 240,801,560   | 8.49%                       | 17.86%            |
|                        | Energy       | 1,304,509,562 | 42.02%                      | 1,221,441,507 | 43.08%                      | 6.80%             |
|                        | Other        | 190,908,044   | 6.15%                       | 197,630,942   | 6.97%                       | -3.40%            |
| Architectural glass    | Raw material | 1,298,813,030 | 66.37%                      | 1,099,177,645 | 64.45%                      | 18.16%            |
|                        | Labor wages  | 229,253,406   | 11.71%                      | 218,393,700   | 11.42%                      | 4.97%             |
|                        | Depreciation | 166,462,367   | 8.51%                       | 152,301,700   | 8.77%                       | 9.30%             |
|                        | Energy       | 179,228,596   | 9.16%                       | 170,613,200   | 9.82%                       | 5.05%             |
|                        | Other        | 83,199,943    | 4.25%                       | 96,117,100    | 5.53%                       | -13.44%           |

|                      |              |             |        |             |        |         |
|----------------------|--------------|-------------|--------|-------------|--------|---------|
| Solar energy product | Raw material | 648,806,733 | 79.64% | 472,270,784 | 55.61% | 37.38%  |
|                      | Labor wages  | 54,258,238  | 6.66%  | 49,910,663  | 5.88%  | 8.71%   |
|                      | Depreciation | 47,487,861  | 5.83%  | 86,488,626  | 10.18% | -45.09% |
|                      | Energy       | 42,093,169  | 5.17%  | 218,992,080 | 25.78% | -80.78% |
|                      | Other        | 22,027,605  | 2.70%  | 21,640,660  | 2.55%  | 1.79%   |
| Fine glass           | Raw material | 246,639,543 | 51.23% | 288,178,359 | 50.40% | -14.41% |
|                      | Labor wages  | 72,720,990  | 15.11% | 82,598,045  | 14.45% | -11.96% |
|                      | Depreciation | 49,878,082  | 10.36% | 58,856,300  | 10.29% | -15.25% |
|                      | Energy       | 51,456,589  | 10.69% | 62,127,935  | 10.87% | -17.18% |
|                      | Other        | 60,731,456  | 12.61% | 80,020,627  | 13.99% | -24.11% |

Explanation

Nil.

Main suppliers of the Company

|   |               |
|---|---------------|
| Total purchase amount from top five suppliers (RMB)                   | 1,066,591,197 |
| Proportion in total annual purchase amount for top five suppliers (%) | 22%           |

Information of top five suppliers of the Company

Applicable Not applicable

#### 4. Expenses

In the report period, changes of sales expenses, administrative expenses and financial expenses have not over 30%.

#### 5. R&D expenses

The Company always attaches importance to the research and development of new products, new technology and new craft, R&D aims at closing to the market, production and industry. R&D expenses for year 2013 amounted as RMB190.99 million in total, and took 2.27% and 2.47% in net assets and operation revenue of the Company respectively.

#### 6. Cash flow

Unit: RMB

| Item   | 2013           | 2012           | Y-o-y changes (%) |
|--|----------------|----------------|-------------------|
| Subtotal of cash in-flow from operation activities   | 9,208,299,739  | 8,486,161,442  | 8.51%             |
| Subtotal of cash out-flow from operation activities  | 7,509,432,204  | 6,760,365,913  | 11.08%            |
| Net cash flow from operation activities              | 1,698,867,535  | 1,725,795,529  | -1.56%            |
| Subtotal of cash in-flow from investment activities  | 1,215,295,555  | 434,344,657    | 179.80%           |
| Subtotal of cash out-flow from investment activities | 2,267,374,311  | 1,607,345,541  | 41.06%            |
| Net cash flow from investment activities             | -1,052,078,756 | -1,173,000,884 | -10.31%           |
| Subtotal of cash in-flow from financing activities   | 3,627,868,640  | 3,489,202,143  | 3.97%             |
| Subtotal of cash out-flow from financing activities  | 4,445,456,385  | 4,228,924,379  | 5.12%             |
| Net cash flow from financing activities              | -817,587,745   | -739,722,236   | 10.53%            |
| Net increased of cash and cash equivalent            | -171,285,668   | -186,680,039   | -8.25%            |

Reasons for y-o-y relevant data with over 30% changes

Applicable Not applicable

Cash in-flow from investment activities has increased 179.8% mainly because the cash received from disposal of CSG Display shares

and payment received in advance of share transfer for Shenzhen CSG Float Glass.

Cash out-flow from investment activities has increased 41.06% mainly because expenses for fixed assets purchasing increased dramatically over that of last year.

Reasons of major difference between the cash flow from operation activities in report period and net profit of the Company

Applicable Not applicable

### III. Composition of main business

Unit: RMB

|  | Operating revenue | Operating cost | Gross profit ratio (%) | Increase/decrease of operating revenue y-o-y (%) | Increase/decrease of operating cost y-o-y (%) | Increase/decrease of gross profit ratio y-o-y (%) |
|--|-------------------|----------------|------------------------|--|---|---|
| According to industries                  |                   |                |                        |  |   |   |
| Flat glass industry                      | 3,958,217,805     | 3,104,282,050  | 21.57%                 | 21.15%   | 9.48%   | 8.36%   |
| Architectural glass industry             | 2,854,745,532     | 1,956,957,342  | 31.45%                 | 9.53%  | 12.69%  | -1.92%  |
| Solar energy industry                    | 945,054,866       | 814,673,607    | 13.80%                 | 15.09%   | -4.08%  | 17.23%  |
| Fine glass industry                      | 794,643,237       | 481,426,660    | 39.42%                 | -12.98%  | -15.80%                                       | 2.03%   |
| Off-setting between divisions            | -889,481,892      | -886,542,719   | --                     | --   | --  | --  |
| According to products                    |                   |                |                        |  |   |   |
| Flat glass                               | 3,958,217,805     | 3,104,282,050  | 21.57%                 | 21.15%   | 9.48%   | 8.36%   |
| Architectural glass                      | 2,854,745,532     | 1,956,957,342  | 31.45%                 | 9.53%  | 12.69%  | -1.92%  |
| Solar energy products                    | 945,054,866       | 814,673,607    | 13.80%                 | 15.09%   | -4.08%  | 17.23%  |
| Fine glass                               | 794,643,237       | 481,426,660    | 39.42%                 | -12.98%  | -15.80%                                       | 2.03%   |
| Off-setting between divisions            | -889,481,892      | -886,542,719   | --                     | --   | --  | --  |
| According to region                      |                   |                |                        |  |   |   |
| Mainland China                           | 6,620,467,506     | 4,744,948,478  | 28.33%                 | 18.85%   | 10.95%  | 5.10%   |
| H.K. China                               | 293,460,515       | 167,150,258    | 43.04%                 | -30.35%  | -33.95%                                       | 3.10%   |
| Europe                                   | 302,596,199       | 246,359,207    | 18.58%                 | -45.47%  | -50.97%                                       | 9.14%   |
| Asia (excluding Mainland China and H.K.) | 277,198,638       | 195,707,502    | 29.40%                 | 28.72%   | 24.76%  | 2.24%   |
| North America                            | 55,770,796        | 39,972,044     | 28.33%                 | -25.02%  | -29.54%                                       | 4.61%   |
| Australia                                | 93,580,675        | 59,827,480     | 36.07%                 | 8.44%  | 6.92%   | 0.91%   |
| Other region                             | 20,105,219        | 16,831,971     | 16.28%                 | 24.26%   | 32.82%  | -5.39%  |

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

## IV. Assets and liability analysis

### 1. Major changes of assets

Unit: RMB

|                              | End of 2013   |                           | End of 2012   |                           | Ratio changes (%) | Notes of major changes  |
|------------------------------|---------------|---------------------------|---------------|---------------------------|-------------------|---|
|                              | Amount        | Ratio in total assets (%) | Amount        | Ratio in total assets (%) |                   |   |
| Cash at bank and on hand     | 279,672,523   | 1.85%                     | 474,421,278   | 3.31%                     | -1.45%            | Cash at bank and on hand decreased mainly because the shares transfer of Shenzhen CSG Display led to change of consolidation scope of financial statements.   |
| Accounts receivable          | 136,430,683   | 0.90%                     | 276,814,461   | 1.93%                     | -1.03%            | Account receivable decreased mainly because the shares transfer of Shenzhen CSG Display led to change of consolidation scope of financial statements.   |
| Inventories                  | 378,684,712   | 2.51%                     | 367,293,857   | 2.56%                     | -0.05%            | N/A   |
| Long-term equity investments | 770,037,176   | 5.11%                     | 0             | 0                         | --                | Long-term equity investments increased mainly because the shares transfer of Shenzhen CSG Display led to lose the control of the company and its subsidiaries, and accounting method was changed from cost to equity method.          |
| Fixed assets                 | 7,979,937,683 | 52.92%                    | 9,418,430,703 | 65.70%                    | -12.78%           | Fixed assets decreased mainly because transferred all fixed assets of Shenzhen CSG Float to assets held ready-for-sale, and the shares transfer of Shenzhen CSG Display led to change of consolidation scope of financial statements. |
| Construction in progress     | 2,762,418,100 | 18.32%                    | 1,934,725,631 | 13.50%                    | 4.82%             | The increase of construction in process was mainly due to the promotion of technical upgrading project of Yichang CSG, Wujiang PV packaging project and photoelectric glass project of Yichang CSG                                    |

### 2. Major changes of liability

Unit: RMB

|                       | End of 2013   |                           | End of 2012   |                           | Ratio changes (%) | Notes of major changes   |
|-----------------------|---------------|---------------------------|---------------|---------------------------|-------------------|--|
|                       | Amount        | Ratio in total assets (%) | Amount        | Ratio in total assets (%) |                   |  |
| Short-term borrowings | 1,424,743,800 | 9.45%                     | 1,688,049,571 | 11.78%                    | -2.33%            | Short-term borrowings decreased mainly because the shares transfer of Shenzhen CSG Display led to change of consolidation scope of financial statements. |
| Long-term borrowings  | 302,904,204   | 2.01%                     | 711,112,961   | 4.96%                     | -2.95%            | Long-term borrowings decreased mainly because long-term borrowings due within one year were re-classified to current liabilities.                        |



### 3. Assets and liability measured by fair value

Unit: RMB

| Item                                   | Amount at period-begin | Gains/losses from changes of fair value | Accumulative changes of fair value reckoned into equity | Impairment accrual | Purchased amount | Amount on sale | Amount at period-end |
|--|------------------------|---|---|--------------------|------------------|----------------|----------------------|
| Financial assets                       |                        |   |   |                    |                  |                |                      |
| 3. Financial assets available for sale | 109,955,459            |   | 56,333,710  |                    |                  |                | 122,760,000          |
| Subtotal of financial assets           | 109,955,459            |   | 56,333,710  |                    |                  |                | 122,760,000          |
| Total                                  | 109,955,459            |   | 56,333,710  |                    |                  |                | 122,760,000          |
| Financial liability                    | 0                      |   |   |                    |                  |                | 0                    |

Whether measurement attribution for assets has major changes in reporting period or not

Yes No

## V. Core Competitiveness Analysis

① The Company currently has created complete industrial chains in every industry with the advantage of industrial supplement. In glass industry, the Company has built the industry chain as quartz sand → high quality float glass → architectural energy-saving glass/TCO glass. In fine glass industry, based on ultra-thin glass, the Company carefully crafted industry chain as quartz sand → ultra-thin glass → ITO conductive film products/TP-Sensor → flat-panel display/touch screen module through Shenzhen CSG Display Technology Co., Ltd and its subordinate companies. In the solar energy industry, the Company has finished the comprehensive construction of industry chain from high purity polycrystalline silicon materials, silicon wafer processing to cell and modules, photovoltaic rolled glass, etc. With the improvement of technology in the chains, the industrial advantages emerged.

② The Company possesses a complete industry layout. At present, the Company has established large production bases in China located in North, East, West, South and Central region, which help the Company be better close to the market and serve the market.

③ The Company has capability of technology innovation and product innovation. It owns independent intellectual property rights of high-end float glass production process. The technology level of ultra-thin electronic glass is in the leading position in China. The Company also keeps its R&D and production of energy-saving glass in line with the world advanced level, and makes its technique and technology in the field of fine glass and solar energy leading domestic market.

④ The Company possesses high anti-risk capability. It has a perfect internal control system with sound performance carried out. Meanwhile, the management and control ability of account receivable and inventory stands in a high level within the industry.

⑤ CSG's core competitiveness also comes from the aggressive, innovative, professional, experienced management team and technical backbone team. Based on the perfect corporate governance structure, standardized management system and business philosophy of high-end product line and quality consciousness, the Company constantly formulates mechanism and strictly controls the operating risk, laying a solid foundation for company's rapid sustainable development.

During the reporting period, the Company's core competitiveness remains strong

## VI. Investment analysis

### 1. External investment

| external investment                         |  |   |
|---|--|---|
| Amount invested in 2013 (RMB)               | Amount invested in 2012 (RMB)                | Changes   |
| 23,000,000                                  | 23,000,000                                   | 0   |
| Invested company                            |  |   |
| Name  | Main business                                | Equity proportion of listed company in invested company (%) |
| Guangdong Golden Glass Technologies Limited | R & D, production and sales of special glass | 8.33%   |

## 2. Main subsidiaries and joint-stock companies

Particular about main subsidiaries and joint-stock companies

| Company name   | Type       | Industries    | Main products or service   | Register capital    | Total assets (RMB) | Net Assets (RMB) | Operating revenue (RMB) | Operating profit (RMB) | Net profit (RMB) |
|--|------------|---------------|--|---------------------|--------------------|------------------|-------------------------|------------------------|------------------|
| Shenzhen CSG Float Glass Co., Ltd.                   | Subsidiary | Manufacturing | Manufacture and sales of float glass products                              | RMB 705.74 million  | 930,006,963        | 609,986,207      | 544,000,555             | -26,967,970            | -16,929,758      |
| Chengdu CSG Glass Co., Ltd.                          | Subsidiary | Manufacturing | Manufacture and sales of float glass products and deep processing of glass | RMB 246.66 million  | 1,467,593,331      | 622,728,531      | 1,342,164,659           | 277,626,029            | 222,200,154      |
| Tianjin CSG Architectural Glass Co., Ltd.            | Subsidiary | Manufacturing | Deep processing of glass   | RMB 178 million     | 468,677,722        | 311,223,357      | 470,961,278             | 63,090,288             | 54,093,053       |
| Tianjin CSG Energy Conservation Glass Co., Ltd.      | Subsidiary | Manufacturing | Development, producing and sales of energy-saving special glass            | RMB 128 million     | 359,727,073        | 242,160,442      | 519,566,070             | 71,502,382             | 63,634,220       |
| Dongguan CSG Architectural Glass Co., Ltd.           | Subsidiary | Manufacturing | Deep processing of glass   | RMB 240 million     | 984,948,554        | 413,271,115      | 806,530,967             | 125,965,375            | 108,225,392      |
| Dongguan CSG Solar Glass Co., Ltd.                   | Subsidiary | Manufacturing | Manufacture and sales of Solar-Energy Glass                                | RMB 416 million     | 1,165,172,922      | 380,723,051      | 676,212,598             | 62,322,255             | 2,368,924        |
| Yichang CSG Polysilicon Co., Ltd.                    | Subsidiary | Manufacturing | Manufacture and sales of high purity silicon material products             | RMB 1467.98 million | 2,685,228,561      | 898,027,624      | 261,555,173             | -111,047,848           | -60,671,532      |
| Wujiang CSG East China Architectural Glass Co., Ltd. | Subsidiary | Manufacturing | Deep processing of glass   | RMB 320 million     | 735,702,238        | 485,867,651      | 707,604,411             | 131,701,753            | 113,287,596      |
| Dongguan CSG PV-tech Co., Ltd.                       | Subsidiary | Manufacturing | Manufacture and sales of solar cells                                       | RMB 516 million     | 827,847,001        | 347,860,121      | 765,613,577             | 53,311,033             | 41,332,254       |

|  |                     |               |  |                    |               |             |             |             |             |
|--|---------------------|---------------|--|--------------------|---------------|-------------|-------------|-------------|-------------|
| Hebei CSG Glass Co., Ltd.                                | Subsidiary          | Manufacturing | Manufacture and sales of vary special float glass                        | USD 48.06 million  | 788,034,766   | 433,114,194 | 605,433,064 | 67,962,575  | 48,182,327  |
| Wujiang CSG Glass Co., Ltd.                              | Subsidiary          | Manufacturing | Manufacture and sales of vary special float glass                        | RMB 465.04 million | 1,505,039,103 | 544,585,953 | 721,572,028 | 97,381,948  | 76,938,756  |
| CSG (Hong Kong) Limited                                  | Subsidiary          | Trading       | Glass trading and investment holding                                     | HKD 86.44 million  | 792,282,766   | 746,659,379 | 195,500,118 | 94,200,578  | 84,002,822  |
| Hebei Panel Glass Co., Ltd.                              | Subsidiary          | Manufacturing | Manufacture and sales of vary ultra-thin electronic glass                | RMB 243 million    | 387,283,014   | 279,175,235 | 182,374,625 | 61,266,207  | 47,712,643  |
| Xianning CSG Glass Co., Ltd.                             | Subsidiary          | Manufacturing | Developing and manufacture and sales of vary energy-saving special glass | RMB 400 million    | 1,291,308,803 | 427,657,309 | 360,650,554 | 8,160,294   | 35,973,353  |
| Qingyuan CSG Energy Conservation New-materials Co., Ltd. | Subsidiary          | Manufacturing | R&D, manufacture and sales of non-metal mineral products and materials   | RMB 300 million    | 293,512,321   | 288,546,503 | 0           | -4,783,923  | -4,337,942  |
| Jiangyou CSG Mining Development Co., Ltd.                | Subsidiary          | Manufacturing | Manufacture and sales of silica sand and co-product                      | RMB 40 million     | 180,725,122   | 17,635,509  | 51,028,912  | -11,205,174 | -9,327,219  |
| Yichang CSG Photoelectric Glass Co., Ltd.                | Subsidiary          | Manufacturing | R&D, manufacture and sales of varied ultra-thin electronic glass         | RMB 120 million    | 305,521,888   | 142,383,917 | 56,585      | -5,523,405  | -3,698,881  |
| Shenzhen CSG Display Technology Co., Ltd.                | Joint-stock company | Manufacturing | Manufacture and sales of display device products                         | RMB 143 million    | 1,368,614,095 | 747,450,538 | 883,402,182 | 231,313,768 | 200,129,495 |

## Notes of main subsidiaries and joint-stock companies

Because float glass market demand had a recovery, the price of float glass increased. Meanwhile, benefited from a series of national policies, the solar energy industry recovered and the price of both polysilicon and photovoltaic module increased, therefore, the operating subsidiaries' profits with above mentioned industries had a relatively high increase.

Particular about subsidiaries obtained or disposed in the report period

√ Applicable   □ Not applicable

| Company Name  | The purpose of obtaining and disposing subsidiaries during the report period   | The method of obtaining and handling subsidiaries during the report period   | The influence to the whole production and performance  |
|---|--|--|--|
| Yichang CSG Photoelectric Glass Co., Ltd. (former :Yichang Hejing Photoconductive Ceramics Materials Co., Ltd.) | In order to guarantee a raw material supplying for Yichang fine glass production base, the Company plans to establish the ultra-thin glass production line in Yichang. After on-the-spot inspection, the land and supporting facility resources of Yichang Hejing Photoconductive Ceramics Materials Co., Ltd., located near the CSG Yichang polysilicon production line, meet relevant requirements of the Company. | The Company purchased 73.58% shares of Yichang Hejing Photoconductive Ceramics Materials Co., Ltd. held by Taichang Investment Co., Ltd and Shenzhen Platinumvc respectively and became the controlling shareholder. | The acquisition makes the Company integrate land resources effectively and bring the managerial synergy effect into full play.   |
| CSG (Australia) Limited   | In order to motivate the sales team of CSG Australia, guarantee a sales ability in Australia and surrounding areas.  | The Company transferred 51% shares of CSG Australia to Truly Wealth Ltd..  | There is no significant effect on the Company's production and performance during the report period.   |
| Shenzhen CSG Display Technology Co., Ltd.   | In order to create an independent industry platform and capital platform for fine glass industry of CSG, and promote the rapid development of the industry.  | The Company transferred 19% shares of Shenzhen CSG Display to Shenzhen Xinshi Investment Co., Ltd., and lost the controlling right of Shenzhen CSG Display.  | The transfer brought RMB 375.56 million investment earnings, and had a positive impact on Company's income for the Year.   |
| Shenzhen CSG Float Glass Co., Ltd.  | Owing to the two aged float glass lines, Shenzhen CSG Float has defects of more investment and high-energy consumption compared with other float glass lines of CSG. That made the high general cost of product, and lost the competitiveness. For general development of CSG flat glass industry, the Company decided to transfer equity of Shenzhen CSG Float.   | The Company transferred 100% shares of Shenzhen CSG Float to GoldenTime Investment Consultant (Shenzhen) Co., Ltd..  | The transfer will bring RMB 290 million investment earnings, and will bring a positive impact on perfecting resource allocation, improving assets quality and enhancing core competitiveness of the Company. |

### 3. Major investment with non-raised proceeds

Unit: RMB'0,000

| Project   | Investment amount | Amount invested in this year | Accumulative amount actually invested ended as period-end | Progress of project(expected to finish in 2013-2015)  | Returns from project  |
|---|-------------------|------------------------------|---|---|---|
| Xianning CSG project  | 108,670           | 43,607                       | 87,527  | Planning to build production lines for 1.2 million square meters coated insulating glass, 3 million square meters wide flat coated glass and its materials in Changjiang Industry Park of Xianning Economic Development Zone, Hubei. When the project completed, there will form a glass deep processing base of CSG in central China. At present, line 1 and line 2 for the energy-saving glass substrates was ignited respectively in April and June 2013. The production line for 1.2 million square meters coated insulating glass has put into production at end of the 1 <sup>st</sup> quarter, and the production line for 3 million square meters wide flat coated glass will be put into production in middle of 2014. | In the report period, part of the project has been completed, and the net profit was 35.97 million.           |
| Expansion on energy-saving glass capacity of Wujiang Projects   | 47,913            | 0                            | 21,239  | Planning to increase two coating glass production lines and support insulating glass capacity. When the project completed, the capacities of wide flat coated products will add 3 million square meters, and capacity of coated insulating glass will add 1.2 million square meters every year. Among this, the wide flat coated glass line of 3 million square meters has been completed, and the others will be invested according to market situations.  | In the report period, part of the project has been completed and the revenue was not calculated individually. |
| Polysilicon cold hydrogenation, technological transformation project of distillation system, reduction furnace and CDI system | 59,616            | 31,835                       | 53,317  | Planning to implement cold hydrogenation and distillation system on production line of polysilicon, technological transformation on giant energy-saving reduction furnace and new-type CDI tail recovery treatment system, reduce material consumption, power consumption and steam consumption substantially so that the cost will be reduced with more capacity obtained. The project had been completed and entered the trial production stage.  | Project still in trial production stage in the report period  |
| Yingchang CSG ultra-slim electronic glass project   | 32,000            | 21,105                       | 21,105  | Planning to build a ultra-thin electronic glass production line with capacity of 240T/D, the production line uses natural gas as fuel and adopts float process to produce 0.7~1.1mm ultra-thin glass. The project was ignited in February 2014.   | At present, there's no profit from the project.   |
| Qingyuan  | 47,166            | 941                          | 2,893   | Planning to build a high-performance ultra-thin   | Project still in  |

|  |                   |                              |   |  |   |
|--|-------------------|------------------------------|---|--|---|
| high-performance ultra-thin electronic glass project |                   |                              |   | electronic glass production line with monthly capacity of approximately one million square meters in Qingyuan. The production line adopts CSG's unique technology to produce 0.55mm~1.1mm higher performance ultra-thin electronic glass. The project will be completed at the end of 2014.  | construction in the report period.                  |
| Wujiang CSG PV Glass project                         | 57,980            | 21,141                       | 38,993  | Being considered all factors and matching the terminal market, removed Heyuan CSG PV glass project to Wujiang to build a production line for PV rolled glass with capacity of 650 tons per day and a tempering deep processing production line with annual capacity of 16.2 million square meters. The production line used clear natural gas as the fuel. Approximately RMB 580 million has been invested to the project and the line ignited in March 2014.                                  | At present, there's no profit from the project.     |
| Dongguan CSG solar on-line coated project            | 39,000            | 0                            | 0   | Planning to establish an on-line coated production line in green energy industrial park of Dongguan CSG, achieving resource sharing through making use of production line processing facilities of Shenzhen CSG Float and invigorating idle assets such as plant of Dongguan solar energy rolled glass project and its public facilities. The Company planned to invest approximately RMB 390 million, including RMB 252 million newly increased. The project plans to complete in early 2015. | Project still in construction in the report period. |
| 700MW wafer expanding project in Yichang CSG         | 198,000           | 0                            | 8,306   | Planning to build the wafer expanding project in Yichang CSG. Among these, 300MW project has started to construct and planned to complete in the end of 2014. At that time, CSG will own the wafer productivity of 500MW in total. The balance 400MW project will be invested according to industry situations.  | Project still in construction in the report period. |
| Subtotal   | 590,345           | 118,629                      | 233,380   | --   | --  |
| Project  | Investment amount | Amount invested in this year | Accumulative amount actually invested ended as period-end | Progress of project (projects suspension)  | Returns from project                                |
| Yichang CSG 700MW solar cell project                 | 169,330           | 0                            | 0   | Planning to build the solar cell production line with annual capacity of 700MW. The project was suspended and further investment will be based on actual industry situations.  | --  |

| Expanding 500MW solar module project in Dongguan  | 63,600            | 0                            | 0   | Planning to expand the solar module production line with annual capacity of 500MW. The project was suspended due to industry situations and further investment will be based on actual industry situations.  | --  |
|---|-------------------|------------------------------|---|--|---|
| <b>Subtotal</b>   | <b>232,930</b>    | <b>0</b>                     | <b>0</b>  | --   | --  |
| Project   | Investment amount | Amount invested in this year | Accumulative amount actually invested ended as period-end | Progress of project (project of joint-stock company)   | Returns from project                                |
| Upgrade & relocation project for CSG fine glass industry  | 197,000           | 25,992                       | 25,992  | <p>Total invested RMB 1,970 million in this project, including equipment valued RMB 700 million removed from three companies of fine glass division, RMB 1,070 million as new investment and RMB 200 million as working capital.</p> <p>The project will be completed in three phases within three years:</p> <p>Total RMB 730 million fixed assets invested in 1st phase, including construction of plant and public utilities, relocation devices from current ITO glass and ITO Film production line; construction for new project of module production line for double-face coated shadow-free glass, small size Film Sensor and small size G+F and its supporting production equipment. Part of the project have been completed, the rest will be completed in December 2014.</p> <p>Total RMB 440 million fixed assets invested in 2nd phase, including plant construction, construction of production line for new project, and its supporting utilities of size OGS module, (B) TP Sensor 4-G and ITO Film, the project plans to complete in December 2015.</p> <p>Total RMB 590 million fixed assets invested in 3rd phase, including plant construction, relocation of production line of 2.5-G TP Sensor from CSG Wellight and production line of small-size G+G module from Shenzhen V-interface Technology, the project plans to complete in December 2015.</p> | Project still in construction in the report period. |
| <b>Subtotal</b>   | <b>197,000</b>    | <b>25,992</b>                | <b>25,992</b>   | --   | --  |
| <b>Total</b>  | <b>1,020,275</b>  | <b>144,621</b>               | <b>259,372</b>  | --   | --  |
| Explanation on major investment with non-raised proceeds  |                   |                              |   |  |   |
| 1. Xianning CSG projects included energy-saving glass and its materials projects. These projects have been approved in 18 <sup>th</sup> |                   |                              |   |  |   |

meeting of the 5<sup>th</sup> board of directors on 23 December 2010.

2. Yichang CSG technological transformation projects included polysilicon cold hydrogenation, technological transformation project of distillation system, reduction furnace and CDI system. These projects have been approved in 18<sup>th</sup> meeting of the 5<sup>th</sup> the board on 23 December 2010, 2<sup>nd</sup> meeting of the 6<sup>th</sup> board of directors on 21 April 2011 and the extraordinary meeting of the 6<sup>th</sup> board of directors on 27 September 2011 respectively.
3. Yichang CSG Ultra-thin glass project has been deliberated and approved by extraordinary meeting of the 6<sup>th</sup> board of directors on 14 December 2013.
4. Qingyuan high-performance ultra-thin electronic glass project has been deliberated and approved by extraordinary meeting of the 6<sup>th</sup> board of directors on 2 August 2013.
5. Wujiang CSG PV Glass project has been deliberated and approved by extraordinary meeting of 6<sup>th</sup> board of directors on 30 April 2013.

## VII. Future Development Prospects

### 1. Development Trend of the Industry

In 2014, the domestic and international economic situation remains tough. Flat glass industry still confronts a serious overcapacity in low-end market, and pressures from soaring fuel and raw materials costs. However, with the constant promotion of national urbanization and more outdated capacity elimination due to strict enforcement of environmental policy, flat glass market will keep stable relatively, and profitability of the leading enterprise who owes a cost advantage will be sustained.

Concerning the architectural glass industry, the market demand will increase in 2014 due to the enforcement of national energy conservation policies, but the intensifying homogeneity competition will become a challenge. With the constantly pushing on energy-saving and reducing emissions by government and requirement in better residential environment, the market space of energy-saving glass comes more extensive.

In 2014, the competition in fine glass industry will still keep intensified and industry environment will be more complex. However, with new-type intelligent electronic products springing up and widespread, market of Smartphone will keep fast growth to bring new power for the industry.

Benefiting from the government's supporting for PV industry, the market situation will be recovery in 2014. With the advanced technology, costs of relevant products in solar industry chain will decline constantly, cost of solar power generation will drop further and the PV market will be on the track of sound progress.

### 2. Development Strategy

Future development strategy of the Company will center on the energy-saving and renewable energy industry. Consolidate and establish its technology advantages and market position in the field of energy-saving glass and solar photovoltaic through technology innovation and economies of scale. The Company will meticulously promote its core competitiveness and sustainable development ability in the field of glass industry, display device industry and photovoltaic solar energy industry, create independent capital and industry platform for the fine glass industry, to ensure that CSG becoming one of the world-leading manufacturers.

### 3. Business Plan of 2014

- ① Elaborately plan, concerted supervise and elaborately operate to ensure to accomplish the development and operation targets for 2014.
- ② Continue to implement cautious financial policy, strengthen supervision to financial affairs, and strictly prevent financial risk.
- ③ Intensify R&D on new products, new technology and new technics, keep innovation advantage in aspect of technology and products.



- ④ Strictly control all costs and expenses, put measures for energy saving and consumption reducing into practice.
- ⑤ Further enhance utilization rate of the equipments, consolidate and improve market share, continue to carry out differentiation strategy to improve technology and quality of the products to keep up with international business within the industry.
- ⑥ Deepen job and staff design, downsize for efficiency, strengthen the training and reserving for junior/senior management personnel and improve management quality of the leading team and comprehensive management ability.
- ⑦ Further standardize the operation procedures of the Company, and positively prevent various operational risks.

#### 4. Capital Requirements, Plan and Sources

In 2014, CSG capital expenditure budget is about RMB 1.909 billion, which is mainly used in the project construction of Qingyuan high-performance ultra-thin electronic glass project, Dongguan CSG solar on-line coated project, wafer expanding project in Yichang CSG and other construction objects in the previous year. The capital is mainly from money owned by CSG and loans borrowed from financial institutions.

#### 5. Risks and Countermeasures

In 2014, because of the intricate political and economic situations, the Company will face with following risks and challenges:

- ① The flat glass industry continues to face the pressure of overcapacity and soaring costs, while intensifying homogeneity competition will challenge the architectural glass industry. The situation of solar PV industry is still grim. In response to the risks, the Company will take the following measures as:
  - A. The Company will take technology and management innovation as the target, further deepen differentiation operation, avoid homogenization competition by high quality and differentiation products and advanced management idea, and maintain the profitability of the Company.
  - B. Pay attention to the changes of international situation, and positively explore emerging market.
  - C. Strengthen financial management, especially the accounts receivable and inventory management to control operational risks.
  - D. Adjust investment strategy according to market change, and control the investment rhythm.
- ② The prices of natural gas and costs of the labor go up, and raw materials fluctuate sharply. For this purpose, the Company will take following measures:
  - A. Strengthen lean management, and reduce spillage of materials.
  - B. Keep close watch on the market changes, and lock the prices of bulk commodity timely.
  - C. Make use of bulk purchasing superiority to reduce the purchase cost.
  - D. Promote automatic production level, and improve labor productivity.
- ③ Risk of exchange rate fluctuations: At present, nearly 13.5% CSG sales revenue comes from overseas, so exchange rate fluctuation will influence the CSG operation. In response to the risk, the company will timely settle exchange and lock the exchange rate by using effective safety tools and products.

### VIII. Explanation on changes of accounting policy, estimation and calculation method as compared with last year's financial statement

In order to reflect an objective and fair financial status and operation results of the Company, and realize easy value evaluation and comparative analysis for investors, according with actual condition of the Company and relevant regulation of accounting standards, Proposal of the Accounting Estimation Changed has been approved by the 13<sup>th</sup> meeting of 6<sup>th</sup> board of directors on 18 October 2013. And the depreciation life, yearly depreciation and residuals rate for fixed assets are changed as:

| Assets | Pre-changed |           |        | Post-changed |           |        |
|--------|-------------|-----------|--------|--------------|-----------|--------|
|        | Service     | Residuals | Yearly | Service      | Residuals | Yearly |
|        |             |           |        |              |           |        |

|  | life   | rate   | depreciation | life       | rate | depreciation |        |
|--|--|--------|--------------|------------|------|--------------|--------|
| House                                    | 30-40  | 5%-10% | 2.25%-3.17%  | 35         | 5%   | 2.71%        |        |
| Buildings                                | 10-20  | 5%-10% | 4.5%-9.5%    | 20         | 5%   | 4.75%        |        |
| Machinery<br>equipment                   | General machining equipment  | 10-16  | 5%-10%       | 15         | 5%   | 6.33%        |        |
|  | Industrial stoves  | 12-16  | 5%-10%       | 10         | 5%   | 9.50%        |        |
|  | Mining and processing<br>equipment   | 12     | 5%-10%       | 12         | 5%   | 7.92%        |        |
|  | Cogeneration equipment   | 16     | 5%           | 15         | 5%   | 6.33%        |        |
|  | CGC relevant equipment   | -      | -            | -          | 20   | 5%           | 4.75%  |
|  | Other equipment (R&D test<br>equipment, quality control test<br>equipment and other auxiliary<br>equipment mostly) | 10-16  | 5%-10%       | 5.63%-9.5% | 8    | 5%           | 11.88% |
| Vehicle                                  | 8-10   | 5%-10% | 9%-11.88%    | 8          | 0%   | 12.50%       |        |
| Computers & office facilities and Others | 3-10   | 5%-10% | 9%-31.67%    | 5          | 0%   | 20.00%       |        |

The changes will come into force since the date deliberated and approved by the Board. According to relevant regulations in Accounting Standards for Enterprise No.28: Changes in Accounting Policies and Estimates and Corrections of Errors, the prospective application will be adopted for the above mentioned changes and retroactive modulation is not necessary to the financial reports that has released. The changes have no impact either on profit for year of 2013, or the financial status and operation results in previous year.

## IX. Explanation on change of consolidation scope of financial statements as compared with last year

Compared with last year (period), one unit was included in this year for the following reason:

Yichang CSG Photoelectric Glass Co., Ltd. (former: Yichang Hejing Photoconductive Ceramics Materials Co., Ltd.) is included in the scope for obtained through combination under different control.

Compared with last year (period), three units are eliminated from consolidation this year for the following reason:

The Company lost control over CSG (Australia) Co., Ltd., Shenzhen Display Technology Co., Ltd. and its subsidiaries (including Shenzhen CSG Wellight Conductive Coating Co., Ltd., Shenzhen New Vision PV Technology Co., Ltd., Shenzhen CSG Hongxu Technology Co., Ltd., Yichang CSG Display Co., Ltd. and Shenzhen Nanxian Technology Co., Ltd.) by selling part of their shares. And Shenzhen CSG Enamelled Tempered Glass Co., Ltd., has been cancelled in the year. Therefore, these subsidiaries are no longer incorporated in consolidated financial statements.

## X. Profit Distribution and Dividend Payout

Formulation, execution or adjustment of Profit distribution policy, cash dividend policy in particular, during the reporting period

Applicable  Not applicable

The profit distribution plan for year of 2012 was approved in 2012 Annual General Meeting on 23 April 2013, that is, distribute RMB 1.5 (tax included) in cash for every 10 shares to all shareholders. And the distribution announcement released in China Securities Journal, Securities Times and Hong Kong Commercial Daily on 22 May 2013 and relevant distribution has completed.

Special explanation on cash dividend policy

|   |   |
|---|---|
| Satisfy regulations of General Meeting or requirement of Article of Association (Y/N)   | Y   |
| Well-defined and clearly dividend standards and proportion (Y/N)  | Y   |
| Completed relevant decision-making process and mechanism (Y/N)  | Y   |
| Independent directors perform duties completely and play a proper role (Y/N)  | Y   |
| Minority shareholders have opportunity to express opinions and demands totally and their legal rights are fully protected (Y/N) | Y   |
| Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Y/N)                   | Cash bonus policy has not changed or adjusted |

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in nearly three years (including the reporting period)

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2013: base on 2,075,335,560 shares of the total shares while dividends will be distributed, distributing cash dividend of RMB 3.00 (tax included) for every 10 shares to all share holders. In 2013 the Company will not transfer capital reserve into capital.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2012: based on 2,075,335,560 shares of the total shares while dividends were distributed, distributing cash dividend of RMB 1.50 (tax included) for every 10 shares to all share holders. In 2012 the Company did not transfer capital reserve into capital.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2011: base on 2,075,335,560 shares of the total shares while dividend were distributed, distributing cash dividend of RMB 1.80 (tax included) for every 10 shares to all share holders. In 2011 the Company did not transfer capital reserve into capital.

Cash dividend in latest three years

Unit: RMB

| Year for bonus shares | Amount for cash dividend (tax included) | Net profit attributable to shareholders of listed company in consolidation statement for bonus year | Ratio in net profit attributable to shareholders of listed company contained in consolidation statement (%) |
|-----------------------|---|---|---|
| 2013                  | 622,600,668                             | 1,535,929,739   | 40.54%  |
| 2012                  | 311,300,334                             | 274,746,219   | 113.3%  |
| 2011                  | 373,560,401                             | 1,178,229,197   | 31.71%  |

The Company gains profits in reporting period and the retained profit of parent company is positive but no plan of cash dividend proposed

Applicable  Not applicable

## XI. Proposal of profit distribution preplan or share conversion from capital public reserve

|   |               |
|---|---------------|
| Distributing bonus shares for every 10 shares (share)               | 0             |
| Distributing cash dividend for every 10 shares (tax included) (RMB) | 3             |
| Equity base for distribution preplan (share)                        | 2,075,335,560 |
| Total amount distribution in cash (RMB) (tax included)              | 622,600,668   |
| Profit available for distribution (RMB)                             | 1,619,838,105 |

|   |      |
|---|------|
| Cash distributing accounted for the proportion of the total amount of profit distribution (%)   | 100% |
| Cash dividend policy  |      |
| Other   |      |
| Details of Proposal of profit distribution preplan or share conversion from capital public reserve  |      |
| <p>According to the financial report audited by PricewaterhouseCoopers Zhong Tian LLP., the net profit attributable to equity holders of the Company in consolidated statement is RMB 1,535,929,739 in 2013, and the net profit in company statement is RMB 868,321,430 in 2013. Since cash dividend distribution bases on the distributable profit of the company, the Company took 10% of the net profit as stationary surplus reserve which was RMB 86,832,143 based on the net profit RMB 868,321,430 in company statement 2013. Profit available for distribution in 2013 is RMB 1,619,838,105.</p> <p>The Board of Directors proposed to distribute every shareholder RMB 3.00 (including tax) for each 10 shares based on the amount 2,075,335,560 shares, and the total amount distribution is RMB 622,600,668 (including tax). Board of directors consider that this proposal of profit distribution meet the specification of Corporation Law, Accounting Standard for Enterprises and Articles of Association. The above profit distribution preplan must be submitted to the 2013 Annual General Meeting of shareholders.</p> |      |

## XII. Social responsibilities

2013 Annual Social Responsibilities Report of CSG was the 6<sup>th</sup> year the Company consecutively released social responsibilities report, the report emphasized in 2013, systemically formulated the Company's spirit of Factualism, Innovation, Unity and Efficiency, the concrete actions of how to positively perform the social duties, and the efforts to implement the scientific development perspective, build a harmonious society, and advance the sustainable development of economic society. See the full report on [www.cninfo.com.cn](http://www.cninfo.com.cn).

The listed company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments

Yes  No

The listed company and subsidiaries owes other major social safety issues

Yes  No

Administrative penalty occurred in reporting period

Yes  No

**XIII. In the report period, reception of research, communication and interview**

| Time      | Place                          | Way            | Type      | Reception  | Contents discussed and material provided                     |
|-----------|--------------------------------|----------------|-----------|--|--|
| 2013-1-10 | Conference room of the Company | Field research | Institute | China Merchants Securities Co., Ltd., GF Securities Co., Ltd., E Fund Management Co., Ltd., Chian Southern Fund Management., Shenzhen Capital Investment Co., Ltd., Guotai Junan Securities Co., Ltd., Happy Life Insurance Co., Ltd., Boser Fund Management Co., Ltd. | Introduced the operation condition of the Company disclosed. |
| 2013-5-29 | Conference room of the Company | Field research | Institute | Huatai Securities Co., Ltd., Sealand Securities Co., Ltd., GTJA Allianz Funds, SWS Research Co., Ltd.  | Introduced the operation condition of the Company disclosed. |
| 2013-6-5  | Conference room of the Company | Field research | Institute | Essence Fund., China Asset Management Co., Ltd., Changjiang Securities Co., Ltd., First Capital  | Introduced the operation condition of the Company disclosed. |
| 2013-11-7 | Conference room of the Company | Field research | Institute | Hanlun Investment Consultant (Shanghai) Co., Ltd., Huatai Securities Research  | Introduced the operation condition of the Company disclosed. |

## Section V Important Events

### I. Significant lawsuits and arbitrations of the Company

√Applicable    □Inapplicable

| General Statement on Litigation (Arbitration)  | Amounts<br>(in<br>'0000) | Projected<br>liabilities<br>formed or<br>not | Litigation<br>(Arbitration)<br>Progress  | Litigation,<br>(Arbitration)<br>Trial Results<br>and<br>Influence                    | Execution of<br>Litigation,<br>(Arbitration)<br>Judgment | Date of<br>Disclosure | Index of<br>Disclosure   |
|--|--------------------------|--|--|--|--|-----------------------|--|
| <p>In May 2011, Guangzhou Bodi Enterprise Management co., LTD. (hereinafter referred to as "Guangzhou Bodi") and Diyao Development co., LTD. (hereinafter referred to as the "Diyao Development") bought 100% Guangzhou CSG equity with RMB 403 million. In July 2011, Guangzhou Bodi and the Diyao Development failed to timely pay the equity transfer Phase II. The parties, with an agreement, promised that Guangzhou Bodi and the Diyao Development pay liquidated damages of about RMB 11.82 million. However, since April 2012, Guangzhou Bodi and the Diyao Development have refused to pay the balance of the equity transfer, liquidated damages and supervision fees, legal fees and the corresponding interest about RMB29 million in total. CSG Holding co., LTD. filed a lawsuit, recorded by Shenzhen Nanshan District People's Court (hereinafter referred to as Shen Nan Court Civil 2nd Chu No. 1035), whose trial date has not been determined currently.</p> <p>In December 2012, Guangzhou Bodi and Diyao Development litigated to Guangdong High People's Court to charge the CSG's payment of RMB 378 million for liquidated damages (hereinafter referred to as the Yue High People Civil 4th Chu No. 5) with the excuse of CSG not preparing well to hand over to the target enterprise as agreed. It is the same fact that CSG Holding co., LTD. filed the lawsuit to Shenzhen Nanshan District People's Court, and the later has already accepted this lawsuit. The case is undergoing its trial stage, whose trial date has not yet been set.</p> <p>CSG's independent third party lawyer states that CSG has the rights to sued on Guangzhou Bodi and Diyao Development with Shen Nan Court Civil 2nd Chu No. 1035, while Guangzhou Bodi and Diyao Development made malicious litigation with fictional facts and default virtual columns of litigious means in Yue High People Civil 4th Chu No. 5.</p> | 37,771                   | No   | <p>Based on voluntary, equality, consultation on the principles, the two parties reached a settlement agreement through negotiation on 30 May 2013: Guangzhou Bodi and Diyao Development must pay RMB 26,317,040 to the Group. Both sides must withdraw the prosecution.</p> | <p>For this lawsuit has been settled, it will not have an impact on the Company.</p> | --   | 2013-5-31             | <p>For details, please refer to Announcement of Progress of Significant Lawsuit of CSG (No.: 2013-013) published on <i>China Securities News</i>, <i>Securities Times</i>, <i>Hong Kong Commercial Daily</i> and Juchao Website (www.cninfo.com.cn).</p> |

## II. Assets transaction

### 1. Acquisition of assets

| Counterparty or ultimate controlling party   | Purchased or place into assets                                     | Transaction price (RMB 0,000) | Progress  | The net profits contributed to the listed company from the date of purchase to the end of report period (RMB 0,000) (Applicable for business merger under different control) | The net profits contributed to the listed company from the beginning of current period to the end of report period (RMB 0,000) (Applicable for business merger under the same control) | The proportion of the net profits that these assets contributed to the listed company in total profits (%) | Whether it is related transaction | Associations with counterparty (Applicable for related transaction) | Date of disclosure | Index of disclosure |
|--|--|-------------------------------|---|--|--|--|-----------------------------------|---|--------------------|---------------------|
| Taichang Investment Co., Ltd., Shenzhen Baoteng Hengfu Chuangye Investment Co., Ltd. | 73.58% shares of Yichang Hejing Photoconductive Ceramics Co., Ltd. | 6,180.72                      | The acquisition agreement was signed on 11th, Dec., 2012, and the procedures of equity transfer were completed in Jan., 2013. | Not Applicable   | Not Applicable   | Not Applicable   | No                                | --  | Not Applicable     | Not Applicable      |

### 2. Assets sold

| Counterparty  | Assets for sale   | The date of sale | Transaction price (RMB 0,000) | The net profits contributed to the listed company by the asset from the beginning of current period to the date of sale (RMB 0,000) | The profit and loss generated by sale (RMB 0,000)          | The proportion of the net profits that the assets for sale contributed to the listed company in total profits (%) | Pricing principle of assets for sale                               | Whether it is related transaction | The association with the counterparty (Applicable for related transaction) | Whether the ownership of involved property rights is transferred | Whether the involved creditor's rights and debts are all transferred | Date of disclosure | Index of disclosure |
|---|---|------------------|-------------------------------|---|--|---|--|-----------------------------------|--|--|--|--------------------|---------------------|
| Truly Wealth Ltd.                                     | 51% shares of CSG (Australia) Co., Ltd.                 | 2013-12-13       | AUD 25.50                     | 256.64  | Not applicable   | --  | Pricing refer to the net assets of the target company              | N                                 | Not applicable   | Y  | Y  | Not applicable     | Not applicable      |
| Shenzhen Xinshi Investment Co., Ltd.                  | 19% shares of Shenzhen CSG Display Technology Co., Ltd. | 2013-12-2        | 42,498                        | 13,148.36   | RMB 375.56 million investment earnings.                    | 24.45%  | Refer to the profit status of the target company in last two years | N                                 | Not applicable   | Y  | Y  | 2013-8-21          | 2013-024            |
| GoldenTime Investment Consultant (Shenzhen) Co., Ltd. | 100 equity of Shenzhen CSG Float Glass Co., Ltd.        | Not applicable   | 91,800                        | -1,692.98   | Approximately RMB 290 million investment earnings expected | --  | Pricing refer to the net assets of the target company              | N                                 | Not applicable   | N  | N  | 2013-9-28          | 2013-028            |

### III. Major related transaction

#### 1. Related transaction with routine operation concerned

| Related transaction parties  | Related relationship                                  | Related transaction type                         | Related transaction content | Pricing principle   | Dealing price  | Trading amount (in 10 thousand Yuan) | Proportion in the amount of the same transaction (%) | Means of payments | Market price of similar transaction available | Date of disclosure | Index of disclosure |
|--|---|--|-----------------------------|---|----------------|--------------------------------------|--|-------------------|---|--------------------|---------------------|
| Shenzhen CSG Display Technology Co., Ltd.  | Lost controlling right due to part of the shares sold | Sales products and commodities to related person | Sales ultra-thin glass      | Refers to market price  | Not applicable | 44.9514                              | 0.01%  | Monthly cost      | Not applicable                                | Not applicable     | Not applicable      |
| CSG (Australia) Co., Ltd.  | Lost controlling right due to part of the shares sold | Sales products and commodities to related person | Sales architectural glass   | Refers to market price  | Not applicable | 639.7245                             | 0.08%  | Monthly cost      | Not applicable                                | Not applicable     | Not applicable      |
| Total  |   |  |                             | --  | --             | 684.6759                             | --   | --                | --  | --                 | --                  |
| Details of major sold-out order sent back  |   |  |                             | N/A   |                |                                      |  |                   |   |                    |                     |
| Necessity and persistence of related transaction as well as reasons of related transaction with related parties(not with other marketing dealers)  |   |  |                             | The routine related transactions above mentioned are consistent with the principle of fairness, belong to the scope of regular service of the Company, not only in favor of reducing operation cost between two parties but also enlarge sales channel of the Company |                |                                      |  |                   |   |                    |                     |
| Influence on independence of listed company from related transaction   |   |  |                             | The related transactions shows harmless to the interest of minority shareholders and has no impact on independence of the Company   |                |                                      |  |                   |   |                    |                     |
| The Company's degree of dependence on related party and related countermeasures (if any)   |   |  |                             | Business of the Company has no dependence on related parties due to such transactions or being controlled by related parties  |                |                                      |  |                   |   |                    |                     |
| The actual implementation of routine related transactions that is about to occurred in the Period with total amount estimated by category (if any) |   |  |                             | N/A   |                |                                      |  |                   |   |                    |                     |
| Reason for the great difference between trade price and market reference price (if any)  |   |  |                             | Not applicable  |                |                                      |  |                   |   |                    |                     |



## IV. Significant contract and implementations

### 1. Guarantees

Unit: RMB'0,000

| Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)                                 |                                      |                 |  |  |                  |                |                                |   |
|--|--------------------------------------|-----------------|--|--|------------------|----------------|--------------------------------|---|
| Name of the Company guaranteed   | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit   | Guarantee type   | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| Guarantee of the Company for the subsidiaries  |                                      |                 |  |  |                  |                |                                |   |
| Name of the Company guaranteed   | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit   | Guarantee type   | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| Xianning CSG Glass Co., Ltd.   | 2013-6-18                            | 20,000          | 2013-7-19  | 7,108  | General guaranty | 3-years        | N                              | N                                       |
| Xianning CSG Glass Co., Ltd.   | 2013-6-18                            | 20,000          | 2013-7-12  | 3,000  | General guaranty | 4-years        | N                              | N                                       |
| Yichang CSG Photoelectric Glass Co., Ltd.  | 2013-7-12                            | 5,000           | 2013-11-8  | 2,670  | General guaranty | 1-year         | N                              | N                                       |
| Yichang CSG Display Technology Co., Ltd.   | 2013-8-2                             | 20,000          | 2013-11-14   | 5,000  | General guaranty | 3-years        | N                              | N                                       |
| Tianjin CSG Energy Conservation Glass Co.  | 2013-10-18                           | 5,000           | 2013-11-15   | 1,500  | General guaranty | 3-years        | N                              | N                                       |
| Total amount of approving guarantee for subsidiaries in report period (B1)   |                                      | 225,855         |  | Total amount of actual occurred guarantee for subsidiaries in report period (B2)       |                  |                | 60,039                         |   |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)  |                                      | 624,423         |  | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) |                  |                | 63,567                         |   |
| Total amount of guarantee of the Company( total of two abovementioned guarantee)   |                                      |                 |  |  |                  |                |                                |   |
| Total amount of approving guarantee in report period (A1+B1)   |                                      | 225,855         |  | Total amount of actual occurred guarantee in report period (A2+B2)                     |                  |                | 60,039                         |   |
| Total amount of approved guarantee at the end of report period (A3+B3)   |                                      | 624,423         |  | Total balance of actual guarantee at the end of report period (A4+B4)                  |                  |                | 63,567                         |   |
| The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4)                        |                                      |                 |  | 7.9%   |                  |                |                                |   |
| Including:   |                                      |                 |  |  |                  |                |                                |   |
| Amount of guarantee for shareholders, actual controller and its related parties(C)   |                                      |                 |  | 0  |                  |                |                                |   |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(D) |                                      |                 |  | 0  |                  |                |                                |   |

|  |  |
|--|--|
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(E)                   | 0  |
| Total amount of the aforesaid three guarantees(C+D+E)  | 0  |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees | The Company bearing jointly responsibility in guarantee range if the subsidiaries end up in default. |
| Explanations on external guarantee against regulated procedures                                      | N/A  |

Explanation on guarantee with way of complex

Nil

## V. Implementation of commitments

1. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or extending to reporting period.

| Commitments   | Promisee   | Content of commitments  | Commitment date | Commitment term | Implementation  |
|---|--|---|-----------------|-----------------|---|
| Commitments for Share Merger Reform                   | The original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. | The Company has implemented share merger reform in May 2006. Till June 2008, the share of the original non-tradable shareholders which holding over 5% total shares of the Company had all released. Therein, the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. Shenzhen International made commitment that it would strictly carry out related regulations of Securities Law, Administration of the Takeover of Listed Companies Procedures and Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions issued by CSRC during implementing share decreasingly-held plan and take information disclosure responsibility timely. | 2006-5-22       | N/A             | By the end of the report period, the above shareholders of the Company had strictly carried out their promises. |
| Commitments in report of acquisition or equity change |  |   |                 |                 |   |

|  |                |  |  |  |  |
|--|----------------|--|--|--|--|
| Commitments in assets reorganization                   |                |  |  |  |  |
| Commitments in initial public offering or re-financing |                |  |  |  |  |
| Other commitments for medium and small shareholders    |                |  |  |  |  |
| Completed on time or not                               | Yes            |  |  |  |  |
| Detail reasons for un-complement and further plan      | Not applicable |  |  |  |  |

## VI. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

|  |                                       |
|--|---------------------------------------|
| Name of domestic accounting firm                                 | PricewaterhouseCoopers Zhong Tian LLP |
| Remuneration for domestic accounting firm (RMB 0'000)            | 280                                   |
| Continuous life of auditing service for domestic accounting firm | 12 years                              |
| Name of domestic CPA   | Yao Wenping, Liu Jinping              |

Whether re-appointed accounting firms in this period or not

Yes  No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable  Not applicable

PricewaterhouseCoopers Zhong Tian LLP was engaged as audit institute of internal control for the Company in reporting period, RMB 0.35 million paid for expenses (not including traveling and accommodation expenses)

## VII. Statement on Other Important Matters

### 1. Repurchase Certain Domestic-listed Foreign Shares (B-share)

On 6 August 2012, the First Extraordinary Shareholders' General Meeting 2012 deliberated and approved the proposal of "repurchasing part of the domestically listed foreign shares (B-share) of the Company". The company will repurchase no more than 200 million "B" shares with less than HKD 6 per share by centralized price bidding in Shenzhen Stock Exchange after putting on file in relevant regulatory bureau and gaining approval from relevant of authorized commerce and State Administration of Foreign Exchange. The repurchase term will be effective within 12 months since the approved date of shareholders' general meeting. In October 2010, the Company issued corporate bonds. According to Trial Measures for Bonds Issued by Company and CSG Bondholders Meeting Regulations 2010, effective resolutions should be made in bondholders meeting when reduction of company capital involved. As a bondholder China Merchants Securities co., LTD called the first bondholders meeting of 2012 on 11 December 2012. Because the bill failed to get approval of 1/2 or more of the total voting rights on behalf of bond holders, the meeting hasn't formed any effective resolution. If the Company carried out repurchasing B share plan under condition of failed to obtain the advance debt obligations pay-off exemption from bondholders, the Company will face with the risk of being asked to pay-off debt ahead of time which will bring larger losses to the company. The repurchasing plan hasn't been enforced for avoiding damage to the Company and shareholders. And up to 6<sup>th</sup> August 2013, the plan automatically terminated for invalid due to the resolution of general meeting

above mentioned expired. More details in relevant announcement released in China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 20 July 2012, 7 August 2012, 12 December 2012 and 6 August 2013 respectively.

## 2. Short-term Financing Bonds

On 15 April 2011, annual shareholders' general meeting 2010 of CSG considered and passed the proposal of publishing short-term financing bills, agreed the Company's application for publishing short-term financing bills with total amount of RMB 0.7 billion. On 5 August 2011, the registration committee of Chinese inter-bank market dealers association held the 34<sup>th</sup> registration meeting of 2011, decided to accept the registration of short-term financing bills with total amount of RMB 0.7 billion and expiry on 12 August 2013. The short-term financing bills co-lead managed by China Construction Bank Co., Ltd. and China Merchants Bank Co., Ltd., publicly issue to institutional investors of China's inter-bank bond market by bookkeeping, book building, centralizing and placing, and could be issued by stages within the validity period of registration. On 15 September 2011, the Company successfully published the 1<sup>st</sup> batch of short-term financing bills of 2011 with total amount of RMB 0.7 billion and deadline of 365 days, and cashed completed on 14 September 2012. On 23 October 2012, the Company successfully published the 1<sup>st</sup> batch of short-term financing bills of 2012 with total amount of RMB 0.7 billion and deadline of 365 days, and cashed completed on 22 October 2013.

On 6 August 2012, the First Extraordinary Shareholders' General Meeting 2012 of CSG Holding Co., Ltd deliberated and approved the proposal of short-term financing bills offering with application of short-term financing bill within RMB 2.2 billion limit. On 11 January 2013, National Association of Financial market Institutional Investors held its 1<sup>st</sup> registration meeting of 2013, in which NAFMII decided to accept the Company's short-term financing bills registration, amounting to RMB 1.1 billion, valid until January 25, 2015. China Merchants Bank Co., Ltd, and Shanghai Pudong Development Bank Co., Ltd were joint lead underwriters of these short-term financing bills, which could be issued by stages within the validity period of registration. On 7 March 2013, the Company issued the 1<sup>st</sup> batch of short-term financing bills with a total amount of RMB 1.1 billion and deadline of one year, and cashed completed on 6 March 2014. On 14 January 2014, National Association of Financial market Institutional Investors held its 74<sup>th</sup> registration meeting of 2013, in which NAFMII decided to accept the Company's short-term financing bills registration, amounting to RMB 1.1 billion and deadline of 2 years. China CITIC Bank Corporation Limited and Agricultural Bank of China Co., Ltd were joint lead underwriters of these short-term financing bills, which could be issued by stages within the validity period of registration. On 14 March 2014, the Company issued the 2<sup>nd</sup> batch of short-term financing bills with a total amount of RMB 0.5 billion and deadline of one year. As for the remaining RMB 0.6 billion and one-year term short-term financing bonds, the issuance date is undetermined.

On 23 April 2013, annual shareholders' general meeting 2012 of CSG considered and passed the proposal of publishing short-term financing bills, agreed the Company's application for publishing short-term financing bills with amount not over the 40% of the Company's net assets in total (the issued short-term financing bonds included). It hasn't been issued up to now.

For details, please refer to [www.chinabond.com.cn](http://www.chinabond.com.cn) and [www.chinamoney.com.cn](http://www.chinamoney.com.cn).

## VIII. Issuance of corporate bonds by the Company

As approved by the Company in the second extraordinary general meeting for 2009, the Company issued corporate bonds amounting to RMB2 billion on 20 October 2010. This batch of bonds was divided into two groups, with maturity terms being 5 years and 7 years respectively. For the bonds with maturity term of 5 years, the issuance amount was RMB1 billion; and for those of 7 years, the issuance amount was RMB1 billion also. Besides, the bonds were attached with the option of issuer to raise additional coupon rate and the put option of investor. The corporate bonds were listed for trading on Shenzhen Stock Exchange on 10 November 2010, with annual interest rate of 5.33% which remained constant for the first 5 years during the duration period. The abbreviation of the bonds with 5 years term was '10CSG01', with stock code of 112021; and the abbreviation of the bonds with 7 years term was '10CSG02', with stock code of 112022. The trading termination dates were 20 October 2015 and 20 October 2017 respectively (the final announcement issued by the Company shall prevail). For details, please refer to the Result Announcement Concerning Issuance of

Corporate Bonds in 2010 disclosed at China Securities Journal, Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) on 26 October 2010.

According to the tracking rating conducted by CCXR in 2013, the credit rating of the Company's main body was AA+, with outlook of stable. The credit rating of the aforementioned bonds was AA+. The Company has paid the interests of the bonds for the three interest accrual periods on 20 October 2011, 22 October 2012 and 21 October 2013. In future, the Company will continue to provide assurance for payment of principal and interests of corporate bonds by solidly development of own business in the future.

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

|   | Before the Change |                | Increase/Decrease in the Change (+, -) |              |                                  |            |            | After the Change |                |
|---|-------------------|----------------|--|--------------|----------------------------------|------------|------------|------------------|----------------|
|   | Amount            | Proportion (%) | New shares issued                      | Bonus shares | Capitalization of public reserve | Others     | Subtotal   | Amount           | Proportion (%) |
| I. Restricted shares                      | 9,109,978         | 0.44%          |  |              |                                  | 1,174,219  | 1,174,219  | 10,284,197       | 0.49%          |
| 1. State-owned shares                     | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| 2. State-owned legal person's shares      | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| 3. Other domestic shares                  | 9,109,978         | 0.44%          |  |              |                                  | 1,174,219  | 1,174,219  | 10,284,197       | 0.49%          |
| Including: Domestic legal person's shares | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| Domestic natural person's shares          | 9,109,978         | 0.44%          |  |              |                                  | 1,174,219  | 1,174,219  | 10,284,197       | 0.49%          |
| 4. Foreign shares                         | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| Including: Foreign legal person's shares  | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| Foreign natural person's shares           | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| II. Unrestricted shares                   | 2,066,225,582     | 99.56%         |  |              |                                  | -1,174,219 | -1,174,219 | 2,065,051,363    | 99.49%         |
| 1. RMB Ordinary shares                    | 1,303,641,590     | 62.82%         |  |              |                                  | -1,174,219 | -1,174,219 | 1,302,467,371    | 62.76%         |
| 2. Domestically listed foreign shares     | 762,583,992       | 36.75%         |  |              |                                  | 0          | 0          | 762,583,992      | 36.75%         |
| 3. Overseas listed foreign shares         | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| 4. Others                                 | 0                 | 0%             |  |              |                                  | 0          | 0          | 0                | 0%             |
| III. Total shares                         | 2,075,335,560     | 100%           |  |              |                                  | 0          | 0          | 2,075,335,560    | 100%           |

Reasons for share changed

Applicable  Not applicable

Removal & engagement for senior executives

Approval of share changed

Applicable  Not applicable

Ownership transfer for changed shares

Applicable  Not applicable

Mr. Ding Jiuru was appointed as vice president of the Company on 2 August 2013. Therefore, the 75% shares held by Mr. Ding Jiuru, that was 1,030,781 shares were classified into the senior executives' shares. On 29 November 2013, Mr. Lu Wenhui was no longer in office of the Company as senior executive, shares held by Mr. Lu Wenhui were locked up for six months by regulation. Therefore, 143,438 shares were added in restricted senior executives' share.

Influence on latest EPS, net assets per share and other financial index from changes in shares (if applicable)

Applicable  Not applicable

Other information necessary to be disclosed by the Company or should be disclosed according to requirement of securities regulators

□Applicable √ Not applicable

## II. Securities issuance and listing

### 1. Securities issuance and listing over the past three years

| Name of Stocks and derivative securities                     | Offering date   | Offering price (RMB/Share) | The issuing numbers | Listing date     | Numbers for listing authorized | Dead deal date  |
|--|-----------------|----------------------------|---------------------|------------------|--------------------------------|-----------------|
| Stock  |                 |                            |                     |                  |                                |                 |
| Convertible corporate bonds, warrant-bond and corporate bond |                 |                            |                     |                  |                                |                 |
| 10 CSG 01  | 20 October 2010 | RMB 100 /piece             | 10,000,000          | 10 November 2010 | 10,000,000                     | 20 October 2015 |
| 10 CSG 02  | 20 October 2010 | RMB 100 /piece             | 10,000,000          | 10 November 2010 | 10,000,000                     | 20 October 2017 |
| Warrant  |                 |                            |                     |                  |                                |                 |

Explanation of securities offering in previous three years (explaining those bond owes different rate in duration respectively)

Nil.

## III. Particulars about shareholder and actual controller of the Company

### 1. Amount of shareholders of the Company and particulars about shares holding

Unit: share

| Total shareholders in reporting period                    | 219,171                               | Total shareholders ended at the day of five trading days before annual report disclosed | 219,597                                       |                          |                                  |                                     |                                |        |
|---|---------------------------------------|---|---|--------------------------|----------------------------------|-------------------------------------|--------------------------------|--------|
| Particulars about shares held above 5% by shareholders    |                                       |   |   |                          |                                  |                                     |                                |        |
| Full name of Shareholders                                 | Nature of shareholder                 | Proportion of shares held (%)   | Total shares held at the end of report period | Changes in report period | Amount of restricted shares held | Amount of un-restricted shares held | Number of share pledged/frozen |        |
|   |                                       |   |   |                          |                                  |                                     | Share status                   | Amount |
| China Northern Industries Corporation                     | State-owned legal person              | 3.62%   | 75,167,934                                    | 0                        | 0                                | 75,167,934                          |                                |        |
| Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. | Domestic non state-owned legal person | 2.99%   | 62,052,845                                    | -5,687,155               | 0                                | 62,052,845                          |                                |        |
| Shenzhen International Holdings (Shenzhen) Co., Ltd.      | Domestic non state-owned legal person | 2.88%   | 59,778,813                                    | -5,651,187               | 0                                | 59,778,813                          |                                |        |
| ICBC-Lion Stock Investment Fund                           | Domestic non state-owned legal person | 1.23%   | 25,607,605                                    | 25,607,605               | 0                                | 25,607,605                          |                                |        |
| ICBC-Lion Value Growth Stock Investment Fund              | Domestic non state-owned legal person | 0.96%   | 20,000,000                                    | 20,000,000               | 0                                | 20,000,000                          |                                |        |
| BBH A/C Vanguard Emerging                                 | Foreign legal                         | 0.74%   | 15,370,164                                    | 4,411,655                | 0                                | 15,370,164                          |                                |        |

| Markets Stock Index Fund   | person  |                                    |            |            |   |            |  |  |
|--|---|------------------------------------|------------|------------|---|------------|--|--|
| CMBC-Yinhua 100 Grading Stock Investment Fund  | Domestic non state-owned legal person   | 0.68%                              | 14,138,283 | 1,767,534  | 0 | 14,138,283 |  |  |
| CCB-Yinhua Rich Theme Stock Investment Fund  | Domestic non state-owned legal person   | 0.63%                              | 12,990,411 | 12,990,411 | 0 | 12,990,411 |  |  |
| BOC-Yinhua Quality Growth Stock Investment Fund  | Domestic non state-owned legal person   | 0.56%                              | 11,600,000 | 11,600,000 | 0 | 11,600,000 |  |  |
| Guotai Junan Securities (Hong Kong) Limited  | Foreign legal person  | 0.50%                              | 10,439,048 | 871,720    | 0 | 10,439,048 |  |  |
| Strategic investors or general legal person becomes top 10 shareholders due to shares issued (if applicable) | N/A   |                                    |            |            |   |            |  |  |
| Explanation on associated relationship among the aforesaid shareholders                                      | Among shareholders as listed above, Shenzhen International Holdings (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd. are holding enterprises and belong to controlling enterprise of Shenzhen International Holdings Co., Ltd.. ICBC-Lion Stock Investment Fund and ICBC-Lion Value Growth Stock Investment Fund share the same fund manager of Lion Fund Management. CMBC-Yinhua 100 Grading Stock Investment Fund, CCB-Yinhua Rich Theme Stock Investment Fund and BOC-Yinhua Quality Growth Stock Investment Fund share the same fund manager of Yinhua Fund Management. Except for this, It is unknown whether other shareholders belong to related party or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies. |                                    |            |            |   |            |  |  |
| Particular about top ten shareholders with un-restrict shares held   |   |                                    |            |            |   |            |  |  |
| Shareholders' name   | Amount of un-restrict shares held at year-end   | Type of shares                     |            |            |   |            |  |  |
|  |   | Type                               | Amount     |            |   |            |  |  |
| China Northern Industries Corporation  | 75,167,934  | RMB ordinary shares                | 75,167,934 |            |   |            |  |  |
| Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd.  | 62,052,845  | RMB ordinary shares                | 62,052,845 |            |   |            |  |  |
| Shenzhen International Holdings (Shenzhen) Co., Ltd.   | 59,778,813  | RMB ordinary shares                | 59,778,813 |            |   |            |  |  |
| ICBC-Lion Stock Investment Fund  | 25,607,605  | RMB ordinary shares                | 25,607,605 |            |   |            |  |  |
| ICBC-Lion Value Growth Stock Investment Fund   | 20,000,000  | RMB ordinary shares                | 20,000,000 |            |   |            |  |  |
| BBH A/C Vanguard Emerging Markets Stock Index Fund   | 15,370,164  | Domestically listed foreign shares | 15,370,164 |            |   |            |  |  |
| CMBC-Yinhua 100 Grading Stock Investment Fund  | 14,138,283  | RMB ordinary shares                | 14,138,283 |            |   |            |  |  |
| CCB-Yinhua Rich Theme Stock Investment Fund  | 12,990,411  | RMB ordinary shares                | 12,990,411 |            |   |            |  |  |
| BOC-Yinhua Quality Growth Stock Investment Fund  | 11,600,000  | RMB ordinary shares                | 11,600,000 |            |   |            |  |  |
| Guotai Junan Securities (Hong Kong) Limited  | 10,439,048  | Domestically listed foreign shares | 10,439,048 |            |   |            |  |  |



|   |   |
|---|---|
| Statement on associated relationship or consistent action among the above shareholders: | Among shareholders as listed above, Shenzhen International Holdings (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd. are holding enterprises and belong to controlling enterprise of Shenzhen International Holdings Co., Ltd.. ICBC-Lion Stock Investment Fund and ICBC-Lion Value Growth Stock Investment Fund share the same fund manager of Lion Fund Management. CMBC-Yinhua 100 Grading Stock Investment Fund, CCB-Yinhua Rich Theme Stock Investment Fund and BOC-Yinhua Quality Growth Stock Investment Fund share the same fund manager of Yinhua Fund Management. Except for this, It is unknown whether other shareholders belong to related party or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies. |
| Explanation on shareholders involving margin business (if applicable)                   | N/A   |

Agreed to buy back deals occurred in Period from shareholders

Yes  No

## 2. Controlling shareholder of the Company

Not exist

Explanation on the Company without controlling shareholder

The Company has no controlling shareholder so far, Shenzhen International Holdings Co., Ltd. is the first largest shareholder of the Company, which holds 5.87% equity of the Company in total through Shenzhen International Holdings (Shenzhen) Co., Ltd. and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. Other shareholders of the Company hold less than 5% of total shares at the end of reporting period.

Changes of controlling shareholders in reporting period

Applicable  Not applicable

## 3. Actual controller of the Company

Not existing

Explanation on the Company without actual controller

The Company has no actual controller so far, Shenzhen International Holdings Co., Ltd. is the first largest shareholder of the Company, which holds 5.87% equity of the Company at present. Shenzhen International Holdings established in Bermuda in 1989, and was listed in main board of Hong Kong Exchanges and Clearing Co., Ltd. Other shareholders of the Company hold less than 5% of total shares at the end of reporting period.

Whether the Company has shareholder who owes over 10% shares in ultimate controlling level

Yes  No

Shareholders with over 5% shares held in ultimate controlling level

Legal person

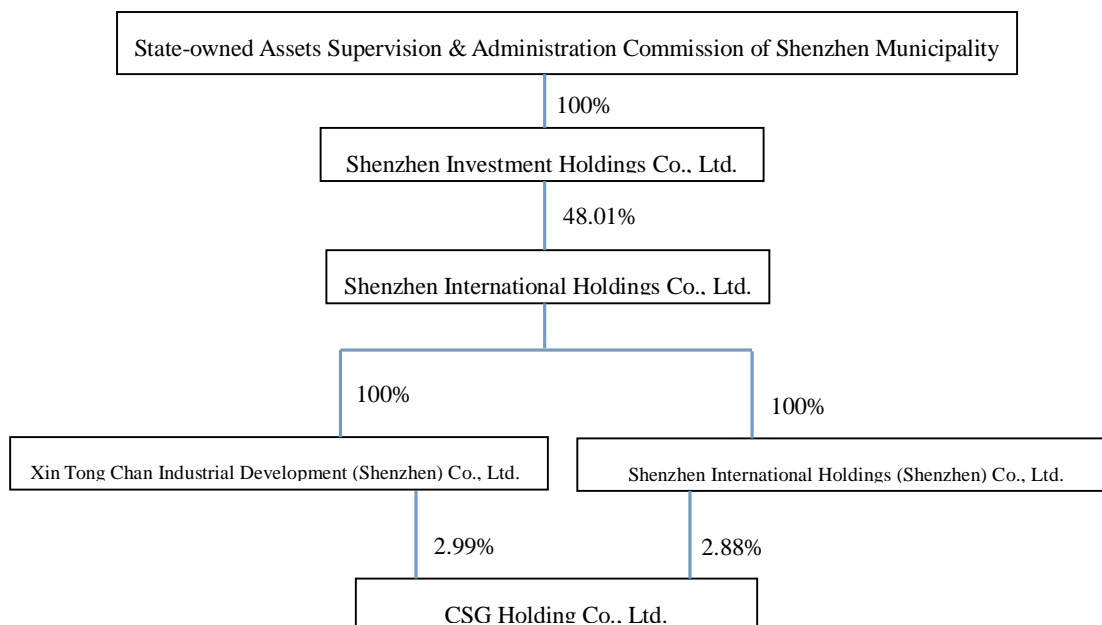
| Shareholders           | Legal rep./person in charge of the unit | Date established | Organization code | Registered capital | Main business                 |
|------------------------|---|------------------|-------------------|--------------------|-------------------------------|
| Shenzhen International | Gao Lei                                 | 1989-11-10       | Not applicable    | HKD 2 billion      | Mainly engaged in investment, |

|  |  |  |  |                      |   |
|--|--|--|--|----------------------|---|
| Holdings Co., Ltd.<br>(0152.HK)  |  |  |  | (authorized capital) | construction and operation of logistic infrastructure; and provided vary logistic value-added service based on infrastructure owned |
| Operation result, financial status, cash flow and future development strategy                    | Taking Pearl river delta, Yangtze river Delta and Bohai Rim region as main strategy regions in China, invested, constructed and operated logistic infrastructure in logistic zone and toll roads through acquisition, reorganization and integration; provided high-end logistic value-add service to clients by application of supply chain management technology and information technology, create more value for shareholders. |  |  |                      |   |
| Equity of domestic/foreign listed company controlled by ultimate shareholder in reporting period | 50.889% equity of Shenzhen Expressway Co., Ltd. (600548.SH, 0548.Hk) were held   |  |  |                      |   |

Changes of actual controller in reporting period

Applicable  Not applicable

Property right and controlling relationship between the largest shareholder and the Company is as follow:



Actual controller controlling of the Company by entrust or other assets management

Applicable  Not applicable

## Section VII. Particulars about Directors, Supervisors and Senior Executives and Employees

### I. Changes of shares held by directors, supervisors and senior executives

| Name          | Title                                 | Working status      | Gender | Age | Start dated of office term | End date of office term | Shares held at period-begin (Share) | Increasing shares held in this period (Share) | Decreasing shares held in this period (Share) | Shares held at period-end (Share) |
|---------------|---------------------------------------|---------------------|--------|-----|----------------------------|-------------------------|-------------------------------------|---|---|-----------------------------------|
| Zeng Nan      | Chairman of the Board /CEO            | Currently in office | M      | 69  | 2011-4-15                  | 2014-4-15               | 4,500,388                           | 0   | 0   | 4,500,388                         |
| Chen Chao     | Independent Director                  | Currently in office | M      | 58  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Zhang Jianjun | Independent Director                  | Currently in office | M      | 49  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Fu Qilin      | Independent Director                  | Currently in office | M      | 59  | 2012-4-17                  | 2014-4-15               |                                     |   |   |                                   |
| Li Jingqi     | Director                              | Currently in office | M      | 57  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Yan Ganggang  | Director                              | Currently in office | M      | 54  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Guo Yongchun  | Director                              | Currently in office | M      | 46  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Wu Guobin     | Director/ President                   | Currently in office | M      | 49  | 2011-4-15                  | 2014-4-15               | 1,810,000                           | 0   | 0   | 1,810,000                         |
| Ke Hanqi      | Director / Vice President             | Currently in office | M      | 48  | 2012-12-25                 | 2014-4-15               | 1,730,000                           | 0   | 0   | 1,730,000                         |
| Long Long     | Chairman of the Supervisory Committee | Currently in office | M      | 58  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Hong Guo'an   | Supervisor                            | Currently in office | M      | 59  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Sun Jingyun   | Supervisor                            | Currently in office | F      | 48  | 2011-4-15                  | 2014-4-15               |                                     |   |   |                                   |
| Luo Youming   | Chief Financial Officer               | Currently in office | M      | 51  | 2011-4-15                  | 2014-4-15               | 1,790,000                           | 0   | 0   | 1,790,000                         |
| Zhang Fan     | Vice president                        | Currently in office | M      | 48  | 2012-12-3                  | 2014-4-15               | 1,530,000                           | 0   | 0   | 1,530,000                         |
| Ding Jiuru    | Vice President                        | Currently           | M      | 51  | 2013-8-2                   | 2014-4-15               | 1,464,375                           | 0   | 90,000  | 1,374,375                         |

|           |                        |                     |    |    |           |            |            |   |        |            |
|-----------|------------------------|---------------------|----|----|-----------|------------|------------|---|--------|------------|
|           |                        | in office           |    |    |           |            |            |   |        |            |
| Lu Wenhui | Vice president         | Office leaving      | M  | 50 | 2011-4-15 | 2013-11-29 | 573,750    | 0 | 0      | 573,750    |
| Zhou Hong | Secretary of the Board | Currently in office | F  | 48 | 2012-3-23 | 2014-4-15  | 212,500    | 0 | 0      | 212,500    |
| Total     | --                     | --                  | -- | -- | --        | --         | 13,611,013 | 0 | 90,000 | 13,521,013 |

## II. Post-holding

Major working experience of directors, supervisors and senior executive at the present in latest five years

**Zeng Nan**, took posts of Director General Manager, Director President and Vice Chairman of the Board in the Company. At present, he is the Chairman of the Board and CEO of the Company.

**Chen Chao**, took posts of Chairman of the board of former Yiwan Industrial Development (Shenzhen) Co., Ltd. and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd., Chairman and General Manager of Shenzhen Expressway Co., Ltd., Vice-chairman and President of Shenzhen International Holdings Co., Ltd., Chairman of the board of the Company, Chairman of Shenzhen Tongge Group, Chairman of the board of Shenzhen United Assets and Equity Exchange Co., Ltd.. At present, he is the independent director of the Company, Director of Shenzhen Boxiong Industry Development Co., Ltd., Executive Partner of Shenzhen Balas Equity Investment Fund Management Co., Ltd. and Independent Director of Guangxi Wuzhou Communications Co., Ltd..

**Zhang Jianjun**, took posts of Dean and Professor of Economy College of Shenzhen University and Independent Director of Shenzhen Gas Corporation Ltd.. At present, he is the Director and Professor of Accounting and Finance Research Institution of Shenzhen University, Independent Director of the Company, Independent Director of Shenzhen Chiwan Wharf Holdings Limited., Independent Director of Tapai Group and Independent Director of Shenzhen Airport Co., Ltd..

**Fu Qilin**, successively served as Dean of Law School of Jinan University, Dean of Law School of Capital University of Economics & Business, now he is the professor and doctoral adviser of China University of Political Science & Law, Independent Director of the Company.

**Li Jingqi**, took posts of Vice President of Shenzhen International Holding Co., Ltd., supervisor of Shenzhen International West Logistics Co., Ltd and Chairman of the Board in the Company. At present, he is the Executive Director, President and deputy secretary of the Party Committee of Shenzhen International Holdings Co., Ltd. (corporate shareholder of the Company), Director of Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. (corporate shareholder of the Company), Director of Shenzhen International Holdings (SZ) Limited (corporate shareholder of the Company), Director of Shenzhen Expressway Co., Ltd. and Director of Ultrarich International Limited, Director of the Company.

**Yan Ganggang**, took post of the Partner of Guangdong Liang and Yan Law Office. At present, he is the Partner of Guangdong Zhongzhen Law Office, Director of the Company.

**Guo Yongchun**, took posts of General Manager of Investment II Division of China Northern Industries Corporation and post of Chairman of Chengdu Yihe Dynasty Hotel Co., Ltd. as well as General Manager of investment dept. of Northern Industries Technology Corporation. At present, he is the Deputy General Manager of Northern Industries Technology Co., Ltd. (corporate shareholder of the Company), Director of the Company.

**Wu Guobin**, took posts of Assistant to the General Manager of the Company, Secretary of the Board, Vice president of the Company and president of architectural glass division of the Company. At present, he is Director, President of the Company.

**Ke Hanqi**, took posts of General Manager of Fine Glass Department of the Company. At present, he is Director, Vice President of the Company and President of Solar Energy Department in the Company.

**Long Long**, took posts of Vice Chief of External Development Research Department and Chief of Surrounding Region Research of China Comprehensive Development Research Institute. At present, he is Director of Council of China Comprehensive Development

Research Institute (Shenzhen, China), Director of Industrial Economy Research Center, committee members of the Shenzhen Policy Consultative Committee, chairman of supervisory of the Company, independent director of Shenzhen Jinjia Printing Group Co., Ltd., director of Guangdong Shirongzhaoye Co., Ltd. and independent director of Guizhou Huaneng Jiaohua Co., Ltd.

**Hong Guoan**, took posts of successively served as partner and senior lawyer as well as the business committee member of management committee of Guangdong Xingchen Law Firm, Partner of Shanghai Jianwei (Shenzhen) Law Firm. At present, he is the director/senior lawyer of Zhonglun W&D Law Firm and supervisor of the Company. .

**Sun Jingyun**, took posts of the Director of Foshan Passenger Coach Station of Yangcheng Railway General Company, Guangzhou Railway Group Co., Ltd.; vice-station master of Foshan Coach Station of Guangdong Sanmao Railway Holding Co., Ltd. and took in charge of the whole work in the station. At present, she is the Director of CEO Office and staff supervisor of the Company.

**Luo Youming**, took posts of Assistant Chief Financial Officer of the Company. At present, he is Chief Financial Officer in the Company.

**Zhang Fan**, took posts of General Manager of Float Glass Department of the Company and Assistant to the President of the Company. At present, he is Vice President of the Company and President of Flat Glass Department in the Company.

**Ding Jiuru**, took posts of Deputy General Manager and Chief Accountant of China Northern Industries Corporation (Shen Zhen), Director, Manager of financial dept., Chief Economist and Assistant to the General Manager of the Company. At present, he is Vice President of the Company.

**Zhou Hong**, took posts of Director of Hong Kong Asia Global Security Co., Ltd, and independent director of Shenzhen Evoc Intelligent Technology Co., Ltd.. At present, she is Secretary of the Board and Manager of securities dept. of the Company.

Post-holding in shareholder's unit

Applicable  Not applicable

| Name  | Name of shareholder's unit                                | Position in shareholder's unit | Start dated of office term | End date of office term | Received remuneration from shareholder's unit or not |
|---|---|--------------------------------|----------------------------|-------------------------|--|
| Li Jingqi   | Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. | Director                       | Sep. 2002                  | --                      | No   |
| Li Jingqi   | Shenzhen International Holdings (Shenzhen) Co., Ltd.      | Director                       | Dec. 2003                  | --                      | No   |
| Li Jingqi   | Shenzhen International Holdings Co., Ltd.                 | Executive Director&President   | Aug. 2006                  | --                      | Yes  |
| Guo Yongchun                                      | Northern Industrial Technology Co., Ltd.                  | Deputy General Manager         | March 2011                 | --                      | Yes  |
| Explanation on post-holding in shareholders' unit |   | N/A                            |                            |                         |  |

Post-holding in other unit

Applicable Not applicable

| Name                                      | Name of other units  | Position in other unit n    | Start dated of office term | End date of office term | Received remuneration from other unit or not |
|---|--|-----------------------------|----------------------------|-------------------------|--|
| Chen Chao                                 | Shenzhen Boxiong Industrial Development Co., Ltd.          | Director                    | March 2011                 | --                      | No   |
| Chen Chao                                 | Shenzhen Balas Equity Investment Fund Management Co., Ltd. | Managing partner            | May 2011                   | --                      | No   |
| Chen Chao                                 | Guangxi Wuzhou Communications Co., Ltd.                    | Independent director        | Feb. 2012                  | --                      | Yes  |
| Zhang Jianjun                             | Accounting & Finance Institute of Shenzhen University      | Director, professor         | Jan. 2007                  | --                      | Yes  |
| Zhang Jianjun                             | Shenzhen ChiwanWharf Holdings Limited                      | Independent director        | May 2008                   | --                      | Yes  |
| Zhang Jianjun                             | Guangdong Tapai Group Co., Ltd.                            | Independent director        | June 2008                  | --                      | Yes  |
| Zhang Jianjun                             | Shenzhen Airport Co., Ltd.                                 | Independent director        | Dec. 2010                  | --                      | Yes  |
| Fu Qilin                                  | China University of Political Science & Law                | Professor, doctoral advisor | Dec. 2011                  | --                      | Yes  |
| Li Jingqi                                 | Shenzhen Expressway Co., Ltd.                              | Director                    | April 2005                 | --                      | No   |
| Li Jingqi                                 | Ultrarich International Limited                            | Director                    | Nov. 1999                  | --                      | No   |
| Yan Ganggang                              | Guangdong Zhongzhen Laws Firm                              | Partner                     | July 2001                  | --                      | Yes  |
| Long Long                                 | CDI (Shenzhen. China) council; CIE                         | Director, chief             | June 1990                  | --                      | Yes  |
| Long Long                                 | Shenzhen Jinjia Printing Group Co., Ltd.                   | Independent director        | Nov. 2006                  | --                      | Yes  |
| Long Long                                 | Guizhou Huaneng Jiaohua Co., Ltd.                          | Independent director        | May 2008                   | --                      | Yes  |
| Long Long                                 | Guangdong Shirong Zhaoye Co., Ltd.                         | Director                    | Dec. 2008                  | --                      | Yes  |
| Hong Guo'an                               | Beijing Zhonglun W&D Law Firm                              | Director/Senior lawyer      | Aug 2012                   |                         | Yes  |
| Explanation on post-holding in other unit |  | N/A                         |                            |                         |  |

### III. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

1. Decision-making procedures: Allowances for independent directors and external supervisors are planned and protocoled by Remuneration & Assessment Committee of the Board and approved by Shareholders' General Meeting after deliberation of the Board. Remuneration for senior executives is proposed by Remuneration & Assessment Committee of the Board and decided by the Board after discussion.
2. Confirmation basis of remuneration: Allowances for independent directors and external supervisors are confirmed based on industry standards and real situation of the Company. Remuneration for senior executives implements floating reward mechanism with reference to basic salary and business performance. Bonus for performance rewards is withdrawal by proportion according

to annual return on equity and based on the total net profit after taxation in current year.

3. Actual remuneration payment: Allowances for independent directors and external supervisors are RMB 100,000 per year. The total remuneration for senior executives in the report period was RMB 6.6885million.

Remuneration for directors, supervisors and senior executives in reporting period

| Name          | Title                             | Gender | Age | Post-holding status | Total remuneration obtained from the Company (RMB 0,000) | Total remuneration obtained from shareholder's unit (RMB 0,000) | Remuneration actually obtained at period-end (RMB 0,000) |
|---------------|-----------------------------------|--------|-----|---------------------|--|---|--|
| Zeng Nan      | Chairman of the Board /CEO        | M      | 69  | Currently in office | 114.98   | 0   | 114.98   |
| Chen Chao     | Independent Director              | M      | 58  | Currently in office | 10   | 0   | 10   |
| Zhang Jianjun | Independent Director              | M      | 49  | Currently in office | 10   | 0   | 10   |
| Fu Qilin      | Independent Director              | M      | 59  | Currently in office | 10   | 0   | 10   |
| Li Jingqi     | Director                          | M      | 57  | Currently in office | 0  | 0   | 0  |
| Yan Ganggang  | Director                          | M      | 54  | Currently in office | 10   | 0   | 10   |
| Guo Yongchun  | Director                          | M      | 46  | Currently in office | 0  | 0   | 0  |
| Wu Guobin     | Director / president              | M      | 49  | Currently in office | 91.54  | 0   | 91.54  |
| Ke Hanqi      | Director /vice president          | M      | 48  | Currently in office | 86.12  | 0   | 86.12  |
| Long Long     | Chariman of Supervisory Committee | M      | 58  | Currently in office | 10   | 0   | 10   |
| Hong Guoan    | Supervisor                        | M      | 59  | Currently in office | 10   | 0   | 10   |
| Sun Jingyun   | Supervisor                        | F      | 48  | Currently in office | 42.87  | 0   | 42.87  |
| Luo Youming   | CFO                               | M      | 51  | Currently in office | 88.27  | 0   | 88.27  |
| Zhang Fan     | Vice president                    | M      | 48  | Currently in office | 83.09  | 0   | 83.09  |
| Ding Jiuru    | Vice president                    | M      | 51  | Currently in office | 77.13  | 0   | 77.13  |
| Lu Wenhui     | Vice president                    | M      | 50  | Office leaving      | 83.12  | 0   | 83.12  |
| Zhou Hong     | Secretary of the Board            | F      | 48  | Currently in office | 44.60  | 0   | 44.60  |
| Total         | --                                | --     | --  | --                  | 771.72   | 0   | 771.72   |

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable  Not applicable

#### IV. Post-leaving and dismissals for directors, supervisors and senior executives

| Name       | Title          | Type      | Date       | Reasons  |
|------------|----------------|-----------|------------|--|
| Ding Jiuru | Vice president | Service   | 2013-8-2   | Board of the Directors agrees to nominate Mr. Ding Jiuru as vice president of the Company in light of the development needs of business. |
| Lu Wenhui  | Vice president | Demission | 2013-11-29 | Resigned to the Board for career moves   |

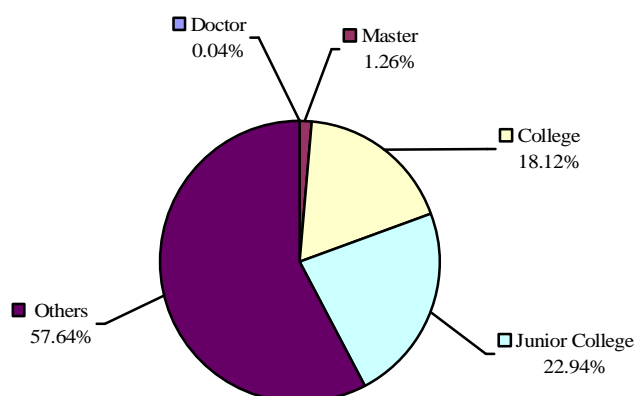
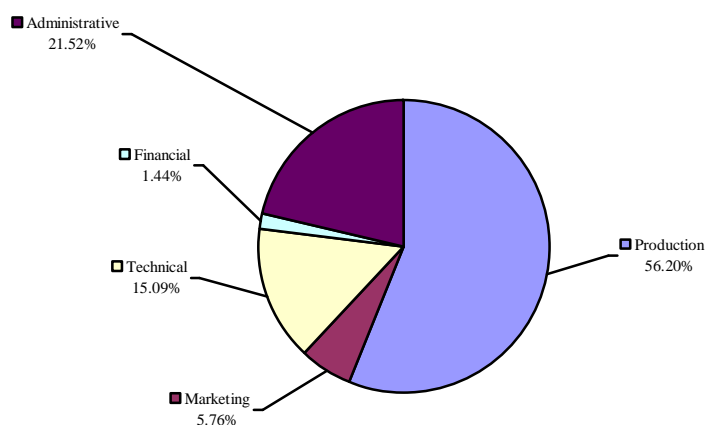
## V. Changes of core technology team or key technicians in reporting period (not including directors, supervisors and senior executives)

The Company has no changes of core technology team or key technicians in reporting period. Therefore there is no major influence on operation.

## VI. Particulars of workforce

### 1. Number of employees and constitution

Ended as 31 December 2013, totally 9,956 employees in the Company and its subsidiaries, including 5,595 production personnel, 573 salesman, 1,502 technicians, 143 financial personnel and 2,143 administrative personnel. Education background as: 4 people with doctor's degree, 125 people with master degree, 1,804 people undergraduate, 2,284 from junior college and 5,739 with college and below



### 2. Staff remuneration policy

The Company adopted the salary management of basic pay plus performance pay, encouraged the staff to reach their employment objectives and obtain high performance payment through their endeavor. Realize the salary system of linking the salary and



assessment results together via effective performance appraisal, and stimulate the positiveness of to strive to realize the enterprise objectives by adjusting the income of staff with good and bad performance.

### 3. Staff training plan

The Company attached great importance to the team construction, thought highly of the training, allocated training fee for cultivating employee's skill, developing capabilities and promoting quality. The Company overall implemented training program for senior management so as to offer a strong support for improving levels of education and skills for employees. As for the senior management, middle management and junior employees, the Company formulated a personalized training plan for the purpose of adapting and promoting the business development of CSG. Training and development will be the normalized important work of HR in the future, which will receive more support from the Company.

4. During the report period, the retired staff and workers, were brought into the social security system for enjoying the retired treatment according to relevant regulations of social security, the Company didn't need to assume the costs.

## Section VIII. Corporate Governance

### I. Corporate governance of the Company

In strict compliance with the requirements of the relevant laws and regulation including The Company Law, Securities Law and Rule of Governance for Listed Company, the Company has been putting efforts in improving the corporate governance, strengthening management of information disclosure, regulating operation activities and establishing a modern corporate system. At present, the system for corporate governance of the Company is basically perfect, operation is regulated, corporate governance is consummated, which accord with the requirements of relevant document on corporate governance of listed company issued by CSRS.

During the report period, it does not exist that the company provides the undisclosed information to the largest shareholder and actual controller. And it does not exist that non-operating fund of listed company is occupied by the largest shareholder and its affiliated enterprises.

Is there any difference between the corporate governance and the requirements of the Company Law and the relevant regulations of CSRC

Yes     No

There is no difference between the corporate governance and the requirements of the Company Law and the relevant regulations of CSRC.

Progress of special activity in relation to corporate governance and determination and implementation of insider registration management system

#### 1. To strengthen education of insider trading prevention

In the report period, the Company participated in the Meeting of Insider Trading Prevention for Listed Company in Shenzhen held by securities regulatory bureau of Shenzhen. After the meeting, the Company offered a special training on Insider Trading Prevention for all directors, supervisor, senior executives and other staffs who are likely to contact with the insider information. Relevant staffs further aware the perniciousness of insider trading through the special training, and fully recognized the significance of crackdown on insider trading.

#### 2. Implementation of the relevant requirements of cash dividends

In order to make the scientific, lasting, stable and transparent dividend policy and supervision system of the Company and bring satisfactory return to investors, the Company formulated the Argumentation Report in Respect of Planning for Shareholders' Return and Shareholders' Return Plan for the Future 3 Years (2012-2014) according to the requirements of the Circular concerning Implementation of the Notice on Further Implementation of Cash Dividend Issues of Listed Company (SZJGSZ(2012)No.43) issued by the securities regulatory bureau of Shenzhen. Accordingly, the Company made certain amendments to its Articles of Association (more details could be found in relevant announcement released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) dated 20 July 2012). In detail, it improved the profit distribution related decision-making procedure and system by general meeting and the board of directors, increased transparency for information disclosure of cash dividends. In addition, the Company, based on the requirements of the Circular, provided investors opportunities to share economic growth achievements of the Company, thus to help investors make long-term and rational investments.

#### 3. Establishment and implementation of management system on external information user

The Company established Management System of Information Disclosure (more details could be found in relevant announcement released on Juchao Website ([www.cninfo.com.cn](http://www.cninfo.com.cn)) on 30 May 2007, 25 September 2007 and 20 October 2009) and perfected it according to the newly-promulgated laws and rules timely, defined the standards for inside information, built registration & record

system and file management system of information insiders. The Company put strict information confidentiality provisions in the system and expressed that the external related personnel must fill in the Registration Form of Internal Information Insiders if the statistical statements and other information submitting to the outside according to the law involved like unrevealed profit index. And the Company must point to the external information insiders that abide by related laws and rules.

In the report period, the Company also submitted the Registration Form of Internal Information Insiders to Shenzhen Stock Exchange when submitting every periodic report. Concerning significant sensitive information with influence on stock price of the Company, insiders did not make use of inside information for stock dealings before information disclosed.

## II. Annual shareholders' general meeting and extraordinary shareholders' general meeting convened in the report period

### 1. Annual Shareholders' General Meeting in the report period

| Session of meeting                         | Convening Date | Name of meeting motion  | Situation                                      | Date of disclosure | Index of disclosure |
|--|----------------|---|--|--------------------|---------------------|
| Annual Shareholder General Meeting of 2012 | 2013-4-23      | Work Report of the Board 2012 of CSG, Work Report of Supervisory Committee 2012 of CSG, Annual Report and Summary 2012 of CSG, Financial Result Report 2012 of CSG, Profit Distribution Plan of 2012 of CSG, Engagement of Audit Institute for year of 2013 and Application for Registration and Issuance of Short-term Financing Bills | All proposals have been deliberated and passed | 2013-4-24          | No. 2013-006        |

### 2. Extraordinary shareholders' general meeting in the report period

| Session of meeting   | Convening Date | Name of meeting motion   | Situation                                      | Date of disclosure | Index of disclosure |
|--|----------------|--|--|--------------------|---------------------|
| 1 <sup>st</sup> extraordinary shareholders general meeting of 2013 | 2013-9-6       | Transfer Part of the Shares of Shenzhen CSG Display Technology Co., Ltd. | All proposals have been deliberated and passed | 2013-9-7           | No. 2013-026        |
| 2 <sup>nd</sup> extraordinary shareholders general meeting of 2013 | 2013-10-18     | Transfer shares of Shenzhen CSG Float Glass Co., Ltd.                    | All proposals have been deliberated and passed | 2013-10-19         | No.: 2013-033       |

## III. Responsibility performance of independent directors in the report period

### 1. The attending of independent directors to Board meetings and shareholders' general meeting

| The attending of independent directors                                      |  |                   |                                     |                             |                  |  |
|---|--|-------------------|-------------------------------------|-----------------------------|------------------|--|
| Name of independent director  | Times of Board meeting supposed to attend in the report period | Times of Presence | Times of attending by communication | Times of entrusted presence | Times of Absence | Whether absent the Meeting for the second time in a row or not |
| Chen Chao   | 8  | 3                 | 4                                   | 1                           | 0                | No   |
| Zhang Jianjun   | 8  | 4                 | 4                                   | 0                           | 0                | No   |
| Fu Qilin  | 8  | 4                 | 4                                   | 0                           | 0                | No   |
| Times for attending shareholders general meeting from independent directors |  | 3                 |                                     |                             |                  |  |

Explanation of absent the Board Meeting twice in a row

Inapplicable

## 2. Objection for relevant events from independent directors

Whether independent directors come up with objection about company's relevant matters or not

Yes  No

Independent directors has no objections for relevant events in reporting period

## 3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes  No

Explanation on advice that accepted/not accepted from independent directors

In the report period, according to requirements of Working System of Independent Directors and Working System on Annual Report of Independent Directors, independent directors actively communicated with accountants, urged works of annual report to progress on schedule. They investigated headquarters of the Company and subsidiaries including Dongguan CSG Architectural Glass Co., Ltd., CSG PV Tech Co., Ltd. Dongguan CSG Solar Glass Co., Ltd., further understood the progress condition of production operation and project construction. During the report period, all independent directors audited every proposal of Board of Directors cautiously, and declared independent opinions on significant management matters, engagement of senior management, assets for sale and internal control construction. Suggestions of independent directors related to the Company had been adopted which played a positive role in maintaining the interests for the medium and small shareholders.

## IV. Duty performance of the special committees under the board during the reporting period

### 1. Performance of the audit committee of the Board

The Audit Committee of the Board of Directors of the Company is constituted with 5 directors, and 3 of them are independent directors. The convoker is independent director. During the report period, according to demands of CSRC and Shenzhen Stock Exchange, and regulations of Rules of Procedure of the Audit Committee of the Board of Directors, Procedure for Annual Report Work of the Audit Committee, the committee paid attention to the construction of corporate internal control system, audited the internal audit report and financial report periodically, diligently and faithfully. They performed the following duties:

① Review the financial reports and issue relevant opinions

In accordance with the requirements of CSRC, the Audit Committee presented two audit opinions for the annual financial report of the Company in the report period. Before the entrance of the certified public accountants for annual audit, the Audit Committee

issued the initial written opinion for the unaudited financial report. The committee agreed the report fairly reflected the significant financial situation and operation achievement of the Company. After the certified public accountants presented their initial audit opinion, the Audit Committee re-examined the financial report of the Company and presented a written opinion which agreed that the basis, conditions, principles and methods used in the report were in line with the regulations and laws and fairly reflected the financial situation on 31 December 2013 and operation achievement in 2013 of the Company in significant aspects.

② Supervise the audit works conducted by the accountant firm

Through negotiation with the certified public accountant, the Audit Committee arranged the audit work for the annual financial report in advance, and made the audit schedule. After the entrance of the registered accountants, the committee met the persons in charge of the audit. After communicating with the accountants, the committee realized the audit process and requirements from the accountants, and quickly feedback the information to the relevant departments of the Company, in order to ensure the annual audit and relevant information disclosure could be promoted according to the scheduled process.

③ Summarize report on the audit works conducted by the accountant firm in previous year

PricewaterhouseCoopers Zhong Tian LLP conducted their work in strict accordance to Chinese audit standards; with attitude of earnest and responsibility, paid attention to communication with the management level and the Audit Committee; embodied strong specialty knowledge, professional nature and risk awareness. The CPAs successfully finished the 2013 annual audit work of financial reports of the Company and the audit quality is worthy of trust.

④ Opinions on reengagement of the accountant firm

It is proposed to reengage PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company for 2014.

2. Performance of the remuneration and examination committee of the Board

The remuneration and examination committee of the Board of Directors of the Company is constituted with 5 directors, and 3 of them are independent directors. The convoker is independent director.

According to regulations of Rules of Procedure of The Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee makes examination on the disclosed remuneration of the directors, supervisors and senior executives and thought it accorded with the relevant laws and regulations of the remuneration and appraisal system of the Company.

3. Performance of the nomination committee of the Board

The nomination committee of the Board of Directors of the Company is constituted with 5 directors, and 3 of them are independent directors. The convoker is independent director.

Nomination committee of the Board performed evaluation on the work of the Board, and believed that the directors of 6<sup>th</sup> session of the Board abided by the State laws, administrative rules and regulation of Article of Association since they took office. They attended or delegated to attend the Board Meeting and general meeting on time, performed voting rights based on relevant regulations, actively kept eyes on the management situation of the Company, and performed the duty of Directors diligently.

4. Performance of the strategy committee of the Board

The strategy committee of the Board of Directors of the Company is constituted with 5 directors, and 1 of them is independent directors.

As the special institution responsible for the long-term development strategy and significant investment decision-making, the strategy committee made earnest research on the significant decisions affecting the Company's development and issued relevant recommendations according to the procedure rules of the strategy committee. During the reporting period, the committee considered the profit distribution plan, and held the view that the profit distribution plan conformed to the requirements of the Company Law, the Enterprise Accounting Principles and the Articles of Association, and agreed to submitted the same to the board and general meeting for consideration. At the same time, the strategy committee considered issues concerning significant operation management, disposal of assets, withdrawal of asset impairment provision and guarantee for controlling subsidiary, and submitted the same to the board for consideration.

## V. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## VI. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company has been absolutely independent in business, personal, assets, organization and financial from its substantial shareholders ever since its establishment. The Company had an independent and complete business system and independent management capability.

1. In terms of business: The Company owns independent purchase and supply system of the raw resources, complete production systems, independent sale system and customers. The Company is completely independent from the substantial shareholders in business. The substantial shareholders and their subsidiaries do not engage any identical business or similar business as the Company.
2. In terms of personnel: The Company established integrated management system of labor, personnel, salaries and the social security, which were absolutely independent from its holding shareholder's. Personnel of the managers, person in charge of the financial and other executive managers are obtained remuneration from the Company since on duty in the Company, and never received remuneration or take part-time jobs in large shareholders' company and other enterprises controlled by large shareholders. The recruitment and dismissal of Directors are conducted through legal procedure since the Company was listed and the manager has been appointed or dismissed by Board of Directors. The Board of Directors and the Shareholders' General Meeting have not received any interference of decisions on personnel appointment and removal from the largest shareholders.
3. In terms of asset, the Company is able to operate business independently and enjoys full control over the production system, auxiliary production system and facilities, land use right, industry property and non-patent technology owned or used by the Company. The investments to the Company from largest shareholder are monetary assets, and the largest shareholder has never occupy, damage or intervene to operation on these assets.
4. In terms of organization: The Company possessed sound corporate governance structure, established Shareholders' General Meeting, Board of Directors, Supervisory Committee, appointed general manager, and fixed related function departments. The Company had been totally independent from its large shareholders in organization structure. The Company has its own office and production sites that are different from those of the large shareholders. The largest shareholder and its related parties didn't deliver any operation plan and order to the Company, neither influence the independence on management of the Company by any forms.
5. In terms of finance: The Company has set up independent financial department, established independent accounting calculation system and financial management system (included management system of its subsidiaries). The financial personnel of the Company didn't take part-time jobs in units of large shareholder or its subordinate units. The Company had independent bank accounts, separated from the large shareholders. The Company is independent taxpayer, paid taxes independently according the laws and didn't pay mixed taxes with the large shareholders. The financial decision-making of the Company was independent, and the large shareholders never interfered the usage of company's capital. The Company never offered guarantee to their large shareholders and its subordinate units and other related party. The largest shareholder and its related has never occupy or occupy disguised the capital.

## VII. Examination and incentives of senior management

The Board of Directors approved the incentive measure for outstanding achievement of management team based on total net profit

after tax in the current year and annual return on equity as assessment basis. Namely, the management team could obtain the award only when the annual return on equity reached 8%. Otherwise, they could not take incentives of outstanding achievement. When the return on equity reached 8%, the management team would take the proportion of 6% based on the total net profit after tax as bonus. While the return on equity exceeded 8%, for every 1 percentage point increased over 8%, the proportion of bonus of outstanding achievement would increase by 0.2 percentage points accordingly based on proportion of 6%.

## Section IX. Internal control

### I. Construction of internal control system

The Company set up internal control department in 2008 to begin construction of the internal control management system. In 2013, with the process optimization continuous move forward, the Company further improves the standard of IC manual, amend and perfect the most important Doc. of IC system construction – permission guidelines. Evaluation and assessment of IC was enhanced, and the training and publication of IC was reinforced further. At the same time, self-evaluation was made for IC of the Company with self-evaluation report carried out. And the accounting firms, who in charge of the IC auditing, was engaged by the Company with IC auditing report completed.

Self-evaluation report in relation to internal control: under the Basic Internal Control Standards of Enterprise issued by the ministry of finance and other four ministries and the Guidance on Standardized Operation of Company Listed on Main Board issued by Shenzhen Stock Exchange which have been deemed by the Company as action guidance to establish sound internal control system, the Company formed its 2013 Self-evaluation Report on Internal Control. HQ of the Group and all wholly-owned and controlling subsidiaries are included in the report, and the evaluation not only covered the organization structure, development strategy, HR, corporate culture and social responsibility that related with IC environment, but also included nine business processes of sales & collection, purchase & payment, inventory management, fixed assets management (engineering projects included), monetary funds & investment and financing management, R&D and intangible assets management, financial report, H&R dept. management and information system. During the report period, the IC of the Company ran systematically. Its businesses at corporate governance level and specific business process have been carried out in an orderly manner with risks being controlled. The IC system provided a reasonable guarantee for legal operation management, asset safety, truthfulness and completeness of financial report and related information as well as operation efficiency. For details of 2013 Self-evaluation Report on Internal Control, please refer to the Juchao website.

### II. Responsibility representation of the Board on internal control

Board of directors hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in the Self-Evaluation Report of Internal Control 2013, and the information disclosed is truthfulness, accuracy and completeness.

### III. Bases of establishment of financial report internal control

The Company has established the perfected financial management system, which covered the aspects of various regulations including accounting calculation, financial processes, budget management, expenses control and monetary capital management. With purpose of guarantee the effective implementation of various financial management policies of the Company, the Company formulated the financial report internal control manual including six contents related to financial report directly which were ‘Preparation of Accounting Policy and Items Maintenance, Processes of General Accounting, Preparation and Approval of Financial Report, Guarantee Management, Related Transaction Management and Taxation Management’.

In the report period, the Company carried out a specific self-evaluation on internal control of financial report. And there has no significant defects in internal control related to financial report of the Company.



#### IV. Self-evaluation report of internal control

| Details of major defects in self-evaluation report that found in reporting period |   |
|---|---|
| No major defects were found in the report period                                  |   |
| Date of self-evaluation report of internal control disclosed (full-text)          | 2014-3-25   |
| Index of self-evaluation report of internal control disclosed(full-text)          | More details can be found in Self-evaluation Report of Internal Control 2013 released on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> |

#### V. Audit report of internal control

Applicable    Not applicable

| Deliberations in Internal Control Audit Report   |   |
|--|---|
| According to Enterprise Internal Control Audit Guidelines and the relevant requirements of CICPA practice standards, PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as PwC) has audited the effectiveness of internal control over financial statements of the Company up to 31 December 2013, issued PwC Zhong Tian (2014) No. 0904 Internal Control Audit Report and made the following opinions: PwC thinks that CSG Holding Co., Ltd. has maintained effective internal control over financial statements in all major aspects according to the Fundamental Norms of Enterprise Internal Control and relevant rules. |   |
| Date of disclosing the internal control audit reports  | 25 March 2014   |
| Disclosure index of internal control audit report  | More details can be found in 2013 Internal Control Audit Report of CSG released on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> |

Carried out modified opinion for internal control audit report from CPA

Yes    No

Whether internal control audit report issued by CPA, has concerted opinion with self-evaluation report issued by the Board

Yes    No

#### VI. Establishment and implementation of accountability system for major errors in annual report

In order to perfect corporate governance and improve quality and transparency of annual report disclosure, being approved in 13th Meeting of 5th Board of Directors, the Accountability System of Fundamental Errors in Annual Report Disclosure was formulated and implemented by the Company. In report period, no situations of correction on fundamental accounting errors, supplementation of fundamental omission information and modification of performance prediction had been found.

## Section X. Financial Report

### I. Report of the Auditors

|  |                                       |
|--|---------------------------------------|
| Type of Auditor's Opinion                  | Standard and unqualified              |
| Issue date of Report of the Auditors       | 22 March 2014                         |
| Name of Auditor's organization             | PricewaterhouseCoopers Zhong Tian LLP |
| Reference number of Report of the Auditors | PwC ZT Shen Zi (2014) No. 10061       |

To the shareholders of CSG Holding Co., Ltd.

We have audited the accompanying financial statements of CSG Holding Co., Ltd (hereinafter "CSG Company"), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management of CSG Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CSG Company as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian  
LLP

Certified Public Accountant Yao Wenping

Shanghai, the PRC  
22 March 2014

Certified Public Accountant Liu Jingping

## CSG HOLDING CO., LTD.

## CONSOLIDATED AND COMPANY BALANCE SHEETS

## AS AT 31 DECEMBER 2013

(All amounts in Rmb Yuan unless otherwise stated)

|                                     |            | 31 Dec 2013           | 31 Dec 2012           | 31 Dec 2013           | 31 Dec 2012          |
|-------------------------------------|------------|-----------------------|-----------------------|-----------------------|----------------------|
| ASSETS                              | Note       | Consolidated          | Consolidated          | Company               | Company              |
| <b>Current assets</b>               |            |                       |                       |                       |                      |
| Cash at bank and on hand            | 5(1)       | 279,672,523           | 474,421,278           | 129,337,516           | 139,915,851          |
| Notes receivable                    | 5(2)       | 323,889,490           | 299,804,348           | -                     | -                    |
| Accounts receivable                 | 5(3)       | 136,430,683           | 276,814,461           | -                     | -                    |
| Advances to suppliers               | 5(5)       | 73,378,329            | 70,007,569            | -                     | -                    |
| Other receivables                   | 5(4),16(1) | 109,366,023           | 63,047,384            | 3,082,240,537         | 1,753,686,199        |
| Inventories                         | 5(6)       | 378,684,712           | 367,293,857           | -                     | -                    |
| Other current assets                | 5(7)       | 1,021,464,095         | 167,499,349           | -                     | -                    |
| <b>Total current assets</b>         |            | <u>2,322,885,855</u>  | <u>1,718,888,246</u>  | <u>3,211,578,053</u>  | <u>1,893,602,050</u> |
| <b>Non-current assets</b>           |            |                       |                       |                       |                      |
| Available-for-sale financial assets | 5(8)       | 122,760,000           | 109,955,459           | 94,156,920            | 84,335,860           |
| Long-term receivables               | 16(3)      | -                     | -                     | 1,953,745,783         | 2,281,424,431        |
| Long-term equity investments        | 5(9),16(2) | 770,037,176           | -                     | 4,966,621,199         | 4,635,634,350        |
| Fixed assets                        | 5(10)      | 7,979,937,683         | 9,418,430,703         | 38,163,267            | 13,311,942           |
| Construction in progress            | 5(11)      | 2,762,418,100         | 1,934,725,631         | -                     | 10,254,145           |
| Intangible assets                   | 5(12)      | 933,329,528           | 929,486,926           | 2,649,635             | 3,093,435            |
| Development expenditure             | 5(12)      | 9,881,310             | 3,610,292             | -                     | 134,999              |
| Goodwill                            | 5(13)      | 3,039,946             | 3,039,946             | -                     | -                    |
| Long-term prepaid expense           |            | 3,280,021             | 2,713,907             | 2,424,621             | -                    |
| Deferred tax assets                 | 5(14)      | 164,787,158           | 163,100,004           | -                     | -                    |
| Other non-current assets            | 5(15)      | 6,510,000             | 51,858,632            | -                     | 22,806,000           |
| <b>Total non-current assets</b>     |            | <u>12,755,980,922</u> | <u>12,616,921,500</u> | <u>7,057,761,425</u>  | <u>7,050,995,162</u> |
| <b>TOTAL ASSETS</b>                 |            | <u>15,078,866,777</u> | <u>14,335,809,746</u> | <u>10,269,339,478</u> | <u>8,944,597,212</u> |

## CSG HOLDING CO., LTD.

## CONSOLIDATED AND COMPANY BALANCE SHEETS

## AS AT 31 DECEMBER 2013

(All amounts in Rmb Yuan unless otherwise stated)

|   | Note        | 31 Dec 2013<br>Consolidated | 31 Dec 2012<br>Consolidated | 31 Dec 2013<br>Company | 31 Dec 2012<br>Company |
|---|-------------|-----------------------------|-----------------------------|------------------------|------------------------|
| <b>LIABILITIES AND OWNERS' EQUITY</b>                                 |             |                             |                             |                        |                        |
| <b>Current liabilities</b>  |             |                             |                             |                        |                        |
| Short-term borrowings   | 5(17)       | 1,424,743,800               | 1,688,049,571               | 1,255,000,000          | 750,000,000            |
| Notes payable   | 5(18)       | 4,429,188                   | 183,487,216                 | -                      | -                      |
| Accounts payable  | 5(19)       | 981,616,449                 | 1,120,003,975               | 923,245                | 29,790                 |
| Advances from customers   | 5(20)       | 160,689,070                 | 135,413,065                 | -                      | -                      |
| Employee benefits payable   | 5(21)       | 166,377,238                 | 104,895,290                 | 55,932,331             | 4,833,381              |
| Taxes payable   | 5(22)       | 160,754,703                 | 134,645,371                 | 26,978,661             | 72,283                 |
| Interest payable  | 5(23)       | 60,767,534                  | 35,091,990                  | 18,800,998             | 3,115,745              |
| Dividends payable   | 5(24)       | 687,627                     | 687,627                     | 687,627                | 687,627                |
| Other payables  | 5(25),16(4) | 557,130,583                 | 165,969,155                 | 829,844,788            | 842,603,141            |
| Current portion of non-current liabilities                            | 5(26)       | 399,849,715                 | 481,687,841                 | 150,000,000            | -                      |
| Other current liabilities   | 5(27)       | 300,000                     | 526,872                     | -                      | -                      |
| <b>Total current liabilities</b>                                      |             | <b>3,917,345,907</b>        | <b>4,050,457,973</b>        | <b>2,338,167,650</b>   | <b>1,601,341,967</b>   |
| <b>Non-current liabilities</b>  |             |                             |                             |                        |                        |
| Long-term borrowings  | 5(28)       | 302,904,204                 | 711,112,961                 | -                      | 140,000,000            |
| Bonds payable   | 5(29)       | 1,991,041,175               | 1,986,624,288               | 1,991,041,175          | 1,986,624,288          |
| Deferred tax liabilities  | 5(16)       | 34,298,029                  | 32,046,701                  | 19,128,980             | 16,673,715             |
| Other non-current liabilities   | 5(30)       | 432,364,880                 | 287,373,063                 | 11,792,800             | 8,897,000              |
| <b>Total non-current liabilities</b>                                  |             | <b>2,760,608,288</b>        | <b>3,017,157,013</b>        | <b>2,021,962,955</b>   | <b>2,152,195,003</b>   |
| <b>Total liabilities</b>  |             | <b>6,677,954,195</b>        | <b>7,067,614,986</b>        | <b>4,360,130,605</b>   | <b>3,753,536,970</b>   |
| <b>Owners' equity</b>   |             |                             |                             |                        |                        |
| Paid-in capital   | 5(31)       | 2,075,335,560               | 2,075,335,560               | 2,075,335,560          | 2,075,335,560          |
| Capital surplus   | 5(32)       | 1,391,366,888               | 1,381,031,988               | 1,434,441,128          | 1,418,767,193          |
| Special reserve   | 5(33)       | 14,503,860                  | 14,831,266                  | -                      | -                      |
| Surplus reserve   | 5(34)       | 765,048,720                 | 678,216,577                 | 779,594,080            | 678,216,577            |
| Undistributed profits   | 5(35)       | 3,803,574,842               | 2,665,777,580               | 1,619,838,105          | 1,018,740,912          |
| Difference on translation of foreign currency<br>financial statements |             | (1,935,731)                 | 1,017,782                   | -                      | -                      |
| <b>Total equity attributable to equity holders of<br/>the Company</b> |             | <b>8,047,894,139</b>        | <b>6,816,210,753</b>        | <b>5,909,208,873</b>   | <b>5,191,060,242</b>   |
| <b>Minority interests</b>   | 5(36)       | <b>353,018,443</b>          | <b>451,984,007</b>          | <b>-</b>               | <b>-</b>               |
| <b>Total owners' equity</b>   |             | <b>8,400,912,582</b>        | <b>7,268,194,760</b>        | <b>5,909,208,873</b>   | <b>5,191,060,242</b>   |
| <b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>                           |             | <b>15,078,866,777</b>       | <b>14,335,809,746</b>       | <b>10,269,339,478</b>  | <b>8,944,597,212</b>   |

The accompanying notes form an integral part of these financial statements.

## CSG HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY INCOME STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in Rmb Yuan unless otherwise stated)

| Items  | Note        | 2013            | 2012            | 2013          | 2012         |
|--|-------------|-----------------|-----------------|---------------|--------------|
|  |             | Consolidated    | Consolidated    | Company       | Company      |
| <b>Revenue</b>   | 5(37)       | 7,733,796,114   | 6,994,358,029   | 741,079       | 1,257,853    |
| Less: Cost of sales  | 5(37)       | (5,501,300,657) | (5,355,802,923) | (41,575)      | (70,566)     |
| Taxes and surcharges   | 5(38)       | (47,859,995)    | (46,876,446)    | -             | -            |
| Selling and distribution expenses  | 5(39)       | (267,394,775)   | (234,821,552)   | -             | -            |
| General and administrative expenses                                      | 5(40)       | (671,321,260)   | (526,909,538)   | (101,223,533) | (24,277,823) |
| Financial expenses - net   | 5(41)       | (238,321,702)   | (248,920,054)   | (42,888,856)  | (15,113,830) |
| Asset impairment losses  | 5(43)       | (64,366,228)    | (306,225,525)   | 781,149       | (758,050)    |
| Add: Investment income   | 5(42)、16(5) | 927,376,139     | 71,666,374      | 1,027,318,851 | 814,818,639  |
| Including: investment income from associates                             |             | 305,002         | -               | 97,355,619    | -            |
| <b>Operating profit</b>  |             | 1,870,607,636   | 346,468,365     | 884,687,115   | 775,856,223  |
| Add: Non-operating income  | 5(44)       | 216,687,514     | 115,574,538     | 9,471,403     | 6,974,000    |
| Less: Non-operating expenses   | 5(45)       | (152,116,263)   | (3,470,007)     | (232,408)     | (15,414)     |
| Including: Loss on disposal of non-current assets                        |             | (140,789,846)   | (2,088,853)     | (232,408)     | (15,414)     |
| <b>Total profit</b>  |             | 1,935,178,887   | 458,572,896     | 893,926,110   | 782,814,809  |
| Less: Income tax expenses  | 5(46)       | (259,864,490)   | (88,766,140)    | (25,604,680)  | -            |
| <b>Net profit</b>  |             | 1,675,314,397   | 369,806,756     | 868,321,430   | 782,814,809  |
| Attributable to equity holders of the Company                            |             | 1,535,929,739   | 274,746,219     |               |              |
| Minority interests   |             | 139,384,658     | 95,060,537      |               |              |
| <b>Earnings per share</b>  |             |                 |                 |               |              |
| - Basic  | 5(47)       | 0.74            | 0.13            | N/A           | N/A          |
| - Diluted  | 5(47)       | 0.74            | 0.13            | N/A           | N/A          |
| <b>Other comprehensive income</b>  | 5(48)       | 6,903,489       | (5,981,466)     | 7,365,795     | (4,566,016)  |
| <b>Total comprehensive income</b>  |             | 1,682,217,886   | 363,825,290     | 875,687,225   | 778,248,793  |
| Total comprehensive income attributable to equity holders of the Company |             | 1,542,833,228   | 268,767,444     |               |              |
| Total comprehensive income attributable to minority interests            |             | 139,384,658     | 95,057,846      |               |              |

The accompanying notes form an integral part of these financial statements.

## CSG HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in Rmb Yuan unless otherwise stated)

| Items   | Notes       | 2013<br>Consolidated   | 2012<br>Consolidated   | 2013<br>Company        | 2012<br>Company        |
|---|-------------|------------------------|------------------------|------------------------|------------------------|
| <b>1. Cash flows from operating activities</b>  |             |                        |                        |                        |                        |
| Cash received from sales of goods or rendering of services                                    |             | 9,039,929,465          | 8,209,834,370          | -                      | -                      |
| Refund of taxes and surcharges  |             | 85,359,790             | 163,468,279            | -                      | -                      |
| Cash received relating to other operating activities  | 5(49)(a)    | 83,010,484             | 112,858,793            | 2,438,207              | 3,176,441              |
| <b>Sub-total of cash inflows</b>  |             | <u>9,208,299,739</u>   | <u>8,486,161,442</u>   | <u>2,438,207</u>       | <u>3,176,441</u>       |
| Cash paid for goods and services  |             | (5,406,427,033)        | (4,952,896,187)        | -                      | -                      |
| Cash paid to and on behalf of employees   |             | (868,915,933)          | (771,999,139)          | (36,355,290)           | (44,956,481)           |
| Payments of taxes and surcharges  |             | (859,338,552)          | (719,851,459)          | (352,467)              | (537,605)              |
| Cash paid relating to other operating activities  | 5(49)(b)    | (374,750,686)          | (315,619,128)          | (12,881,879)           | (12,244,869)           |
| <b>Sub-total of cash outflows</b>   |             | <u>(7,509,432,204)</u> | <u>(6,760,365,913)</u> | <u>(49,589,636)</u>    | <u>(57,738,955)</u>    |
| <b>Net cash flows from operating activities</b>   | 5(50)、16(6) | <u>1,698,867,535</u>   | <u>1,725,795,529</u>   | <u>(47,151,429)</u>    | <u>(54,562,514)</u>    |
| <b>2. Cash flows from investing activities</b>  |             |                        |                        |                        |                        |
| Cash received from returns on investments   |             | 432,000                | 360,000                | 645,056,913            | 647,575,203            |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets |             | 19,606,532             | 12,332,515             | 7,341                  | 450                    |
| Cash received from disposal of subsidiaries and other companies                               | 5(50)(d)    | 301,426,705            | 186,967,288            | 426,413,663            | 110,455,482            |
| Cash received relating to other investing activities  | 5(49)(c)    | 893,830,318            | 234,684,854            | 459,317,040            | 37,320,000             |
| <b>Sub-total of cash inflows</b>  |             | <u>1,215,295,555</u>   | <u>434,344,657</u>     | <u>1,530,794,957</u>   | <u>795,351,135</u>     |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets               |             | (2,142,386,726)        | (1,390,762,633)        | (20,261,376)           | (15,243,836)           |
| Cash paid to acquire investments  |             | -                      | (27,068,998)           | (144,409,932)          | (203,105,620)          |
| Cash paid to acquire subsidiary   | 4(3)(b)     | 5,345,928              | -                      | (39,001,200)           | -                      |
| Cash paid relating to other investing activities  | 5(49)(d)    | (130,333,513)          | (189,513,910)          | (21,800,000)           | (37,806,000)           |
| <b>Sub-total of cash outflows</b>   |             | <u>(2,267,374,311)</u> | <u>(1,607,345,541)</u> | <u>(225,472,508)</u>   | <u>(256,155,456)</u>   |
| <b>Net cash flows from investing activities</b>   |             | <u>(1,052,078,756)</u> | <u>(1,173,000,884)</u> | <u>1,305,322,449</u>   | <u>539,195,679</u>     |
| <b>3. Cash flows from financing activities</b>  |             |                        |                        |                        |                        |
| Cash received from capital contributions  |             | 13,210,000             | 52,855,285             | -                      | -                      |
| Including: Cash received from capital contributions by minority interests of subsidiaries     |             | 13,210,000             | 52,855,285             | -                      | -                      |
| Cash received from borrowings   |             | 3,154,582,320          | 3,400,346,858          | 3,394,288,942          | 1,590,000,000          |
| Cash received from other financing activities   | 5(49)(e)    | 460,076,320            | 36,000,000             | -                      | 36,000,000             |
| <b>Sub-total of cash inflows</b>  |             | <u>3,627,868,640</u>   | <u>3,489,202,143</u>   | <u>3,394,288,942</u>   | <u>1,626,000,000</u>   |
| Cash repayments of borrowings   |             | (3,675,399,977)        | (3,402,629,279)        | (2,879,288,942)        | (1,461,613,200)        |
| Cash payments for interest expenses and distribution of dividends or profits                  |             | (699,429,159)          | (778,646,771)          | (336,712,054)          | (388,754,111)          |
| Including: Cash payments for dividends or profit to minority interests of a subsidiaries      |             | (145,358,190)          | (123,764,085)          | -                      | -                      |
| Cash payments relating to other financing activities  | 5(49)(f)    | (70,627,249)           | (47,648,329)           | (1,447,029,709)        | (350,248,537)          |
| <b>Sub-total of cash outflows</b>   |             | <u>(4,445,456,385)</u> | <u>(4,228,924,379)</u> | <u>(4,663,030,705)</u> | <u>(2,200,615,848)</u> |
| <b>Net cash flows from financing activities</b>   |             | <u>(817,587,745)</u>   | <u>(739,722,236)</u>   | <u>(1,268,741,763)</u> | <u>(574,615,848)</u>   |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>                |             |                        |                        |                        |                        |
|   |             | (486,702)              | 247,552                | (7,592)                | (34)                   |
| <b>5. Net decrease in cash and cash equivalents</b>   | 5(50)、16(6) | (171,285,668)          | (186,680,039)          | (10,578,335)           | (89,982,717)           |
| Add: Cash and cash equivalents at beginning of year   |             | 447,736,536            | 634,416,575            | 139,915,851            | 229,898,568            |
| <b>6. Cash and cash equivalents at end of year</b>  | 5(50)       | <u>276,450,868</u>     | <u>447,736,536</u>     | <u>129,337,516</u>     | <u>139,915,851</u>     |

The accompanying notes form an integral part of these financial statements.

## CSG HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in Rmb Yuan unless otherwise stated)

| Items   | Note  | Attributable to equity holders of the Company |                      |                       |                   |                    |                       |  | Sub-total            | Minority interests | Total owners' equity |
|---|-------|---|----------------------|-----------------------|-------------------|--------------------|-----------------------|--|----------------------|--------------------|----------------------|
|   |       | Paid-in capital                               | Capital surplus      | Less: Treasury shares | Special reserve   | Surplus reserves   | Undistributed profits | Difference on translation of foreign currency financial statements |                      |                    |                      |
| <b>Balanced at 1 January 2011</b>                   |       | 2,076,721,060                                 | 1,309,834,212        | (578,000)             | 5,683,705         | 506,530,148        | 2,484,699,065         | 1,981,019  | 6,384,871,209        | 374,347,140        | 6,759,218,349        |
| <b>Movement for the year ended 31 December 2011</b> |       |   |                      |                       |                   |                    |                       |  |                      |                    |                      |
| Net profit  |       | -   | -                    | -                     | -                 | -                  | 1,178,229,197         | -  | 1,178,229,197        | 159,287,088        | 1,337,516,285        |
| Other comprehensive income                          | 5(48) | -   | 40,706,691           | -                     | -                 | -                  | -                     | (1,094,683)  | 39,612,008           | 362,500            | 39,974,508           |
| Capital contribution and withdrawal by owners       |       | (884,000)                                     | 26,394,368           | 578,000               | -                 | -                  | -                     | -  | 26,088,368           | 178,892,323        | 204,980,691          |
| - Capital contribution by owners                    |       | -   | -                    | -                     | -                 | -                  | -                     | -  | -                    | 177,085,402        | 177,085,402          |
| - Share repurchase                                  | 8     | (884,000)                                     | (1,049,580)          | 578,000               | -                 | -                  | -                     | -  | (1,355,580)          | -                  | (1,355,580)          |
| - Share-based payments recognised in owner's equity | 8     | -   | 27,443,948           | -                     | -                 | -                  | -                     | -  | 27,443,948           | 1,806,921          | 29,250,869           |
| Profit distribution                                 |       | -   | -                    | -                     | -                 | 93,404,949         | (820,055,020)         | -  | (726,650,071)        | (130,710,610)      | (857,360,681)        |
| - Appropriation to surplus reserves                 |       | -   | -                    | -                     | -                 | 93,404,949         | (93,404,949)          | -  | -                    | -                  | -                    |
| - Profit distribution to equity owners              |       | -   | -                    | -                     | -                 | -                  | (726,650,071)         | -  | (726,650,071)        | (130,710,610)      | (857,360,681)        |
| Special reserve                                     |       | -   | -                    | -                     | -                 | -                  | -                     | -  | -                    | -                  | -                    |
| - Special reserve appropriated                      |       | -   | -                    | -                     | 4,908,139         | -                  | -                     | -  | 4,908,139            | 679,672            | 5,587,811            |
| Others  |       | -   | 4,059,134            | -                     | -                 | -                  | -                     | -  | 4,059,134            | (188,041,558)      | (183,982,424)        |
| - Transaction with minority interests               |       | -   | 4,059,134            | -                     | -                 | -                  | -                     | -  | 4,059,134            | (188,041,558)      | (183,982,424)        |
| <b>Balanced at 31 December 2011</b>                 |       | <b>2,075,837,060</b>                          | <b>1,380,994,405</b> | <b>-</b>              | <b>10,591,844</b> | <b>599,935,097</b> | <b>2,842,873,242</b>  | <b>886,336</b>   | <b>6,911,117,984</b> | <b>394,816,555</b> | <b>7,305,934,539</b> |

| Items   | Attributable to equity holders of the Company |                          |                          |                          |                           |                                |   |               |                             |                      |
|---|---|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------------|---|---------------|-----------------------------|----------------------|
|   | Note  | Paid-in capital<br>5(31) | Capital surplus<br>5(32) | Special reserve<br>5(33) | Surplus reserves<br>5(34) | Undistributed profits<br>5(35) | Difference on translation of foreign currency<br>financial statements | Sub-total     | Minority interests<br>5(36) | Total owners' equity |
| <b>Balanced at 1 January 2012</b>                   |   | 2,075,837,060            | 1,380,994,405            | 10,591,844               | 599,935,097               | 2,842,873,242                  | 886,336   | 6,911,117,984 | 394,816,555                 | 7,305,934,539        |
| <b>Movement for the year ended 31 December 2012</b> |   |                          |                          |                          |                           |                                |   |               |                             |                      |
| Net profit  |   | -                        | -                        | -                        | -                         | 274,746,219                    | -   | 274,746,219   | 95,060,537                  | 369,806,756          |
| Other comprehensive income                          | 5(48)   | -                        | (6,110,221)              | -                        | -                         | -                              | 131,446   | (5,978,775)   | (2,691)                     | (5,981,466)          |
| Capital contribution and withdrawal by owners       |   | (501,500)                | 5,686,000                | -                        | -                         | -                              | -   | 5,184,500     | 52,804,512                  | 57,989,012           |
| - Capital contribution by owners                    |   | -                        | 343,547                  | -                        | -                         | -                              | -   | 343,547       | 52,511,738                  | 52,855,285           |
| - Share repurchase                                  | 8   | (501,500)                | (1,720,145)              | -                        | -                         | -                              | -   | (2,221,645)   | -                           | (2,221,645)          |
| - Share-based payments recognised in owner's equity | 8   | -                        | 7,062,598                | -                        | -                         | -                              | -   | 7,062,598     | 292,774                     | 7,355,372            |
| Profit distribution                                 |   | -                        | -                        | -                        | 78,281,480                | (451,841,881)                  | -   | (373,560,401) | (123,764,085)               | (497,324,486)        |
| - Appropriation to surplus reserves                 |   | -                        | -                        | -                        | 78,281,480                | (78,281,480)                   | -   | -             | -                           | -                    |
| - Profit distribution to equity owners              |   | -                        | -                        | -                        | -                         | (373,560,401)                  | -   | (373,560,401) | (123,764,085)               | (497,324,486)        |
| Special reserves                                    |   | -                        | -                        | 4,239,422                | -                         | -                              | -   | 4,239,422     | 272,041                     | 4,511,463            |
| - Special reserve appropriated                      |   | -                        | -                        | 6,561,710                | -                         | -                              | -   | 6,561,710     | 421,061                     | 6,982,771            |
| - Special reserve used                              |   | -                        | -                        | (2,322,288)              | -                         | -                              | -   | (2,322,288)   | (149,020)                   | (2,471,308)          |
| Others  |   | -                        | 461,804                  | -                        | -                         | -                              | -   | 461,804       | 32,797,138                  | 33,258,942           |
| - Transaction with minority interests               | 5(32)   | -                        | 461,804                  | -                        | -                         | -                              | -   | 461,804       | 35,538,196                  | 36,000,000           |
| - Transfer of subsidiaries                          | 4(3)  | -                        | -                        | -                        | -                         | -                              | -   | -             | (2,741,058)                 | (2,741,058)          |
| <b>Balanced at 31 December 2012</b>                 |   | 2,075,335,560            | 1,381,031,988            | 14,831,266               | 678,216,577               | 2,665,777,580                  | 1,017,782   | 6,816,210,753 | 451,984,007                 | 7,268,194,760        |



## CSG HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in Rmb Yuan unless otherwise stated)

| Items   | Attributable to equity holders of the Company |                             |                             |                          |                              |                                   |  |                      |                                |                            |
|---|---|-----------------------------|-----------------------------|--------------------------|------------------------------|-----------------------------------|--|----------------------|--------------------------------|----------------------------|
|   | Note  | Paid-in<br>capital<br>5(31) | Capital<br>surplus<br>5(32) | Special reserve<br>5(33) | Surplus<br>reserves<br>5(34) | Undistributed<br>profits<br>5(35) | Difference on<br>translation of<br>foreign currency<br>financial<br>statements | Sub-total            | Minority<br>interests<br>5(36) | Total<br>owners'<br>equity |
| <b>Balanced at 1 January 2013</b>   |   | 2,075,335,560               | 1,381,031,988               | 14,831,266               | 678,216,577                  | 2,665,777,580                     | 1,017,782  | 6,816,210,753        | 451,984,007                    | 7,268,194,760              |
| <b>Movement for the year ended 31 December 2013</b>                         |   |                             |                             |                          |                              |                                   |  |                      |                                |                            |
| Net profit  |   | -                           | -                           | -                        | -                            | 1,535,929,739                     | -  | 1,535,929,739        | 139,384,658                    | 1,675,314,397              |
| Other comprehensive income  | 5(48)   | -                           | 9,857,002                   | -                        | -                            | -                                 | (2,953,513)  | 6,903,489            | -                              | 6,903,489                  |
| Effects of the change in investees' other equity applying the equity method | 5(9)  |                             | 27,047                      |                          |                              | -                                 |  | 27,047               | -                              | 27,047                     |
| Capital contribution and withdrawal by owners                               |   | -                           | 450,851                     | -                        | -                            | -                                 | -  | 450,851              | 13,451,793                     | 13,902,644                 |
| - Capital contribution by owners  |   | -                           | -                           | -                        | -                            | -                                 | -  | -                    | 13,210,000                     | 13,210,000                 |
| - Share-based payments recognised in owner's equity                         | 8   | -                           | 450,851                     | -                        | -                            | -                                 | -  | 450,851              | 241,793                        | 692,644                    |
| Profit distribution   |   | -                           | -                           | -                        | 86,832,143                   | (398,132,477)                     | -  | (311,300,334)        | (145,358,190)                  | (456,658,524)              |
| - Appropriation to surplus reserves   |   | -                           | -                           | -                        | 86,832,143                   | (86,832,143)                      | -  | -                    | -                              | -                          |
| - Profit distribution to equity owners                                      |   | -                           | -                           | -                        | -                            | (311,300,334)                     | -  | (311,300,334)        | (145,358,190)                  | (456,658,524)              |
| Special reserves  |   | -                           | -                           | (327,406)                | -                            | -                                 | -  | (327,406)            | (21,009)                       | (348,415)                  |
| - Special reserve appropriated  |   | -                           | -                           | 3,195,497                | -                            | -                                 | -  | 3,195,497            | 205,053                        | 3,400,550                  |
| - Special reserve used  |   | -                           | -                           | (3,522,903)              | -                            | -                                 | -  | (3,522,903)          | (226,062)                      | (3,748,965)                |
| Others  |   | -                           | -                           | -                        | -                            | -                                 | -  | -                    | (106,422,816)                  | (106,422,816)              |
| - Disposal of subsidiaries  | 5(32)   | -                           | -                           | -                        | -                            | -                                 | -  | -                    | (128,615,616)                  | (128,615,616)              |
| - Merger of enterprises   | 4(3)  | -                           | -                           | -                        | -                            | -                                 | -  | -                    | 22,192,800                     | 22,192,800                 |
| <b>Balanced at 31 December 2013</b>   |   | <b>2,075,335,560</b>        | <b>1,391,366,888</b>        | <b>14,503,860</b>        | <b>765,048,720</b>           | <b>3,803,574,842</b>              | <b>(1,935,731)</b>   | <b>8,047,894,139</b> | <b>353,018,443</b>             | <b>8,400,912,582</b>       |

The accompanying notes form an integral part of these financial statements.

## CSG HOLDING CO., LTD.

**COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in Rmb Yuan unless otherwise stated)

| Items   | Note     | Paid-in capital<br>5(31) | Capital surplus<br>5(32) | Surplus reserves<br>5(34) | Undistributed profits<br>5(35) | Total owners' equity |
|---|----------|--------------------------|--------------------------|---------------------------|--------------------------------|----------------------|
| <b>Balance at 1 January 2012</b>  |          | 2,075,837,060            | 1,417,697,982            | 599,935,097               | 687,767,984                    | 4,781,238,123        |
| <b>Movement for the year ended 31 December 2012</b>                         |          |                          |                          |                           |                                |                      |
| Net profit  |          | -                        | -                        | -                         | 782,814,809                    | 782,814,809          |
| Other comprehensive income  |          | -                        | (4,566,016)              | -                         | -                              | (4,566,016)          |
| Capital contribution and withdrawal by owners                               |          | (501,500)                | 5,635,227                | -                         | -                              | 5,133,727            |
| - Share-based payments recognised in owner's equity                         | 8        | -                        | 7,355,372                | -                         | -                              | 7,355,372            |
| - Share repurchase  | 8        | (501,500)                | (1,720,145)              | -                         | -                              | (2,221,645)          |
| Profit distribution   |          | -                        | -                        | 78,281,480                | (451,841,881)                  | (373,560,401)        |
| - Appropriation to surplus reserves   |          | -                        | -                        | 78,281,480                | (78,281,480)                   | -                    |
| - Profit distribution to equity owners                                      |          | -                        | -                        | -                         | (373,560,401)                  | (373,560,401)        |
| <b>Balance at 31 December 2012</b>  |          | 2,075,335,560            | 1,418,767,193            | 678,216,577               | 1,018,740,912                  | 5,191,060,242        |
| <b>Balance at 1 January 2013 (restatement)</b>                              | 16(2)(a) | 2,075,335,560            | 1,426,899,328            | 692,761,937               | 1,149,649,152                  | 5,344,645,977        |
| <b>Movement for the year ended 31 December 2013</b>                         |          |                          |                          |                           |                                |                      |
| Net profit  |          | -                        | -                        | -                         | 868,321,430                    | 868,321,430          |
| Other comprehensive income  |          | -                        | 7,365,795                | -                         | -                              | 7,365,795            |
| Effects of the change in investees' other equity applying the equity method |          | -                        | 176,500                  | -                         | -                              | 176,005              |
| Profit distribution   |          | -                        | -                        | 86,832,143                | (398,132,477)                  | (311,300,334)        |
| - Appropriation to surplus reserves   |          | -                        | -                        | 86,832,143                | (86,832,143)                   | -                    |
| - Profit distribution to equity owners                                      |          | -                        | -                        | -                         | (311,300,334)                  | (311,300,334)        |
| <b>Balance at 31 December 2013</b>  |          | 2,075,335,560            | 1,434,441,128            | 779,594,080               | 1,619,838,105                  | 5,909,208,873        |

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(All amounts in RMB unless otherwise stated)

**1 General information**

CSG Holding Co Ltd (the "Company") was incorporated in 1984 in Shenzhen, the People's Republic of China (the "PRC"), known as China South Glass Company, as a joint venture enterprise by Hong Kong China merchants shipping Co., LTD (香港招商局轮船股份有限公司), Shenzhen building materials industry corporation(深圳建筑材料工业集团公司), China North Industries Corporation (中国北方工业深圳公司) and Guangdong international trust and investment corporation (广东国际信托投资公司), with a registered capital of US dollar 500,000. In October 1991, as approved by the Shenzhen municipal government with document SFBF (1991) 828, China South Glass Company was reorganized as joint stock limited company. The registered capital was RMB71,232,550, with nominal value of RMB1 per share.

As approved by People's Bank of China Shenzhen Branch with document No. SRYFZ (1991)087 and SRYFZ (1992) 010, the Company issued, by public offering, the domestic shares ("A shares") of 20,300,000 shares and domestically listed foreign shares ("B shares") of 16,000,000, in October 1991 and January 1992, respectively. Both shares were listed in Shenzhen Stock Exchange in February 1992. The registered capital of the Company increased to RMB107,532,550.

As approved by China Securities Regulatory Committee with document (1995) No. 16, State Planning Committee with document JWZ (1994) No. 1748 and State Administrative of Foreign Exchange with document HZF (95) No. 191, the Company issued USD 45 million convertible bonds on Swiss between June and July 1995. The 44-million-USD convertible bonds had been converted into 75,411,268 B shares by 31 December, 1997, and the remaining balances were repaid upon maturity.

The Company issued new capital of RMB832,519,306 during the period from 1993 to 2005 by the means of warrants, bonus issue and capitalisation of capital reserve.

As approved by China Security Regulatory Committee with document ZJFX (2007) No. 231, the Company issued, by private placement, 172,500,000 A shares during the period from 20 September to 27 September 2007, at subscription price of RMB 8 per share. The registered capital of the Company increased to 1,187,963,124 upon the completion of the placement.

According to the Company's restricted A share stock incentive scheme, the Company granted 49,140,000 A shares to employees through a non-public placement on 16 June 2008, at price of RMB8.58 pre share. The registered capital of the Company increased to 1,237,103,124 upon the completion of the issuance.

Since, in 2008, the Group failed to meet the vesting conditions of the A share stock incentive scheme and certain employees resigned from the Group, the Company repurchased and cancelled 13,365,000 A shares in 2009. The company's registered capital was reduced to 1,223,738,124.

Since certain employees resigned from the Group, the Company repurchased and cancelled 1,042,500 A shares in 2010. The company's registered capital was reduced to 1,222,695,624.

Pursuant to the resolutions of shareholder's meeting on 20 April 2010, the Company paid scrip dividend of 855,886,936

shares, on the basis of issuing 7 shares for each 10 shares by capitalisation of capital surplus. The Company's registered capital was increased to 2,078,582,560 thereafter.

As certain employees resigned from the Group during 2010-2012, the Company repurchased and cancelled 3,247,000 A shares. The company's registered capital was reduced to 2,075,335,560.

The Company and its subsidiaries (collectively referred to the "Group") are mainly engaged in the manufacturing and sales of floating glass, specialized glass, engineering glass, ITO glass, energy saving glass, silicon related materials and solar panels.

The financial statements were authorized for issue by the board of directors on 22 March 2014.

## **2 Summary of significant accounting policies and accounting estimates**

### **(1) Basis of preparation**

The financial statements have been prepared in accordance with the Basic Standards, 38 Specific Standards of the Accounting standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business enterprises" or "CAS"), and "Information Disclosure Rule No. 15 for Companies with Public Traded Securities - Financial Reporting General Provision"(2010 Amendment) issued by China Security Regulatory Commission.

As at 31 December 2013, the Group had net current liabilities of approximately RMB1,600 million and committed capital expenditure of approximately RMB 589million (Note 10(1)). The directors of the Company has assessed the following facts and conditions: a) the Group has been able to generate positive operating cash flows in prior years and expect to do so in the next 12 months; b) the Group has maintained good relationship with banks, so the Group has been able to successfully renew the bank facilities upon the expiry. As at 31 December 2013, the Group had unutilised banking facilities of approximately RMB11.3 billion, among which the long-term banking facilities is about RMB2.8 billion. In addition, the Group has other sources of financing, such as issuing short-term bonds. The directors are of view that the banking facilities above can meet the funding requirements of the Group's debt servicing and capital commitment. Accordingly, the directors of the Company had adopted the going concern basis in the preparation of the financial statements of the Company and the Group.

### **(2) Statement of compliance with the Accounting Standards for Business Enterprises.**

The financial statements of the Company for the year ended 31 December 2013 truly and completely present the financial position as of 31 December 2013 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

### **(3) Accounting period**

The Company's accounting year starts on 1 January and ends on 31 December.

### **(4) Recording currency**

The recording currency is Renminbi (RMB).

**(5) Business combinations****(a) Business combinations involving entities under common control**

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it, the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted. Costs directly attributable to business combination are recorded into the profits and losses once incurred. Transaction costs attributed to issue equity securities or debt securities for business combination are recorded into initial recognition amounts of equity securities or debt securities.

**(b) Business combinations involving entities not under common control**

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at the fair value at the acquisition date. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs directly attributable to business combination are included in the profits and losses once incurred. Transaction costs attributed to issue equity securities or debt securities for business combination are recorded into initial recognition amounts of equity securities or debt securities.

**(6) Basis of preparation of consolidated financial statements**

The scope of consolidation includes the Company and all of its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. For the subsidiary being acquired under common control, it is included in the scope of consolidation from the date it first came under the common control with the Company, the net profit or loss of such subsidiary before the acquisition date should also be separately disclosed in the consolidated income statement.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group. For subsidiaries acquired in a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable assets and liabilities at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of equity and net profits or losses of a subsidiary not belonging to the Company is recognised as minority interests and separately presented in equity and net profits respectively.

If the Company do not loss control of the subsidiary, the differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary at the transaction date are recorded in capitalisation reserve for purchase from minority interests. If the capital surplus is not sufficient to be deducted, retained earnings should be adjusted.

If the company loses control over a subsidiary company it originally owned due to disposal of a portion of its equity investment or for any other reason, the relevant accounting treatment shall be effected by differentiating between individual

financial statements and consolidated financial statements:

In individual financial statements, accounting treatment shall be effected in accordance with the Accounting Standards for Enterprises No. 2 --- Long-term Equity Investment; meanwhile, the remaining equity shall be determined to be a long-term equity investment or another relevant class of financial assets on the basis of its book value. If the enterprise can exert joint control over or have a material effect on the subsidiary company it originally owned through its remaining equity interest after the disposal, accounting treatment shall be effected in accordance with relevant provisions on transitioning from the cost approach to the equity approach.

In consolidated financial statements, the remaining equity shall be revalued on the basis of its fair value on the date on which control was lost. The sum of the consideration received on the disposal of equities and the fair value of the remaining equities less the net assets of the subsidiary company calculated on the basis of the original ownership percentage and consecutively from the purchase date shall be accounted for as investment income for the period in which control was lost. Other overall gains relevant to the equity investment in the subsidiary company originally owned shall be included in investment income for the period in which control was lost. The enterprise shall disclose in a note the fair value of the remaining equity on the date on which control was lost and the amount of any relevant gain or loss recalculated on a fair value basis.

## **(7) Cash and Cash equivalent**

Cash and cash equivalents comprise cash in hand, deposits held at call with bank and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **(8) Foreign currency translation**

### **(a) Foreign currency transactions**

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**(b)** Translation of foreign currency financial statements

The asset and liability items in the balance sheets for foreign operation are translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, the items other than "undistributed profits" are translated at the spot exchange rate of the transaction date. The income and expense items in the income statements of overseas businesses are translated at the spot exchange rate of the transaction date. The differences arising from the above translation are presented separately in the owner's equities. The cash flows of overseas businesses are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**(9) Financial Instruments****(a)** Financial assets**(i)** Classification

Financial assets are classified into the following categories at initial recognition: at fair value through profit or loss, loans and receivables and financial assets available-for-sale. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group has no financial assets at fair value through profit or loss and financial assets held to maturity in the year 2013.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets includes notes receivable , accounts receivable and other receivable (notes 2(10)) .

## Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months after the balance sheet date.

**(ii)** Recognition basis and measurement of financial instruments

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs of financial assets carried at the fair value through profit or loss are expensed in the income statement; Transaction costs of other financial assets are included in financial assets at initial recognition.

Available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Loans and receivables are measured at amortised cost using the effective interest method.

A gain or loss arising from change in fair value of an available-for-sale financial asset is recognised directly in equity,

except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in income statement. Interest on available for sale debt instrument, calculated using effective interest method, and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in income statement.

(iii) Impairment of financial assets

The Group assesses the carrying amount of financial assets at balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss accounts.

Objective evidence which indicates the occurrence of impairment for available-for-sale equity instruments includes significant or non-temporary decrease of fair value of equity instruments investment. The Group conducts individual inspection on each available-for-sale equity instruments investment at balance sheet date, if the fair value of the available-for-sale equity instrument is less than its initial investment cost for more than 50% (including 50%) or less than its initial investment cost continually for more than 1 year, that means impairment incurred; if the fair value of the available-for-sale equity instrument is less than its initial investment cost for more than 20% (including 20%) but has not reached 50%, the Group will comprehensively consider other factors such as price volatility to determine whether the equity instrument investment has been impaired.

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in income statement.

If objective evidence shows that impairment for available-for-sale financial assets will occur, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised as impairment loss. For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognised, the previously recognised impairment loss is reversed and directly recognised in equity.

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received and the accumulative amount of changes of fair value originally recorded in the owner's equity is recognised in the income statement.

(b) Financial liabilities



Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise of other financial liabilities, including payables, borrowings and corporate bonds.

Payables comprise accounts payable and other payables, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities within one year (including one year) is presented as current liabilities, while non-current financial liabilities due with one year (including one year) is reclassified as non-current liabilities due within one year. Others are presented as non-current liabilities.

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. The difference between the carrying amount of a financial liability (or a part of financial liability) extinguished and the consideration paid is recognised in the income statement.

(c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable, willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, management uses observable market data as much as possible and relies as little as possible on the Group-specific inputs.

**(10) Receivables**

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyer.

(a) Receivables that are individually significant and provided for provision separately

Receivables that are individually significant are subject to separate impairment assessment. A provision for impairment of the receivable is recognised if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.

The basis or amount for individually significant receivables is individually greater than 20 million.

(b) The method of provision for impairment of receivables that are individually significant

The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

## (c) Receivables that are provided for provision on a basis of group

Receivables that are not impaired after separate assessment and remaining receivables not subject to separate assessment are grouped for impairment assessment, and is provided for the impairment, based on the Group's historical practical loss rate caused by receivables portfolio of similarity or with similar characteristic of credit risk, as well as current situation.

Basis on determine the portfolio is as below:

|             |   |
|-------------|---|
| Portfolio 1 | Receivables from third parties not impaired after separate assessment |
| Portfolio 2 | Receivables from related parties                                      |

The percentage of provision for the portfolio:

|             | Percentage of provision for<br>accounts receivable | Percentage of provision for other<br>receivables |
|-------------|--|--|
| Portfolio 1 | 2%   | 2%   |
| Portfolio 2 | 0%   | 0%   |

## (c) The Group transfers receivables which have no recourse right to financial institution, the difference between the carrying amount which is trade amount cut the write-off receivables and related tax expenses charged into the income statement.

**(11) Inventories**

## (a) Classification

Inventories include manufacturing sector, presented at the lower of cost and net realisable value.

## (b) Inventory costing method

Manufacturing sector inventories include raw materials, work in progress, finished goods and turnover materials. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

## (c) Low-value consumption goods and package material amortisation method

Low-value consumption goods and package materials are applying one-off amortisation method.

## (d) The determination of net realisable value and the method of provision for impairment of inventories

Provisions for declines in the value of inventories are determined at the carrying value of the inventories net of their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of

business, less the estimated costs to completion and estimated costs necessary to make the sale and relevant taxes.

- (e) The Group adopts the perpetual inventory system.

## **(12) Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are all investees over which the Company is able to control. Associates are all investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Interests associates are accounted for using the equity method. Long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured are measured using the cost method.

- (a) Definition of control, joint control and significant influence over the investees

The term "control" refers to the power to govern the financial and/or operating decisions of an enterprise, to obtain benefits from its business activities.

The term "joint control" refers to the contractually agreed sharing of control over an economic activity. The joint control cannot exist without the unanimous consent of the investors who share the control, and unanimous consent is required when making important financial and operating decisions that relate to the above-mentioned economic activity.

The term "significant influence" refers to the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

- (b) Initial recognition

For long-term equity investments formed in business combination: when obtained from business combinations involving entities under common control, the long-term equity investment is stated at book value of equity for the combined parties at the time of merger; when the long-term equity investment obtained from business combinations involving entities not under common control, the investment is measured at combination cost

For long-term equity investments not formed in business combination: the one paid by cash is initially measured at actual purchase price; the long-term investment obtained by issuing equity securities is stated at fair value of equity securities as initial investment cost.

If the shares granted to the employee of subsidiaries are settled in equity instruments of the Company, the expenses, being determined at the fair value of the equity instruments on grant date, related to the employees' service in current period are recognised as part of the cost of investments in subsidiaries.

(c) Subsequent measurement

When using the cost method, investment income is recognised in income statement for the dividends declared by the investee.

Long-term equity investments accounted for on cost method are measured at the fair value of initial investment cost. As for long-term equity investments accounted for on the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the long-term equity investment is stated at the Group's share of the fair value of the investee's identifiable net assets and the difference is included in income statement.

When using the equity method, the Group recognised the investment income based on its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for bearing additional losses and the obligation meets the recognition criteria of provision under CAS 13 Contingency, the Group continues to recognise the investment losses as provision. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus for its proportion, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the dividends declared by the investee. Unrealised gains on transactions between the Group and the investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)). Once the impairment loss is recognised, it is not allowed to be reversed for any value recovered in the subsequent periods.

**(13) Fixed assets**

(a) Recognition and initial measurement

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computer and electronic equipment and office equipment.

Fixed asset is recognised when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The

carrying amount of those parts that are replaced is derecognised and all the other subsequent expenditures are recognised in income statement when they are incurred.

(b) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Considering the convention of the industry and the maintenance of the fixed assets, the management adjusted the estimated useful lives and estimated residual values (Note(2)(31)). The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

|                           | Estimated<br>useful lives | Estimated residual<br>value | Annual<br>depreciation rate |
|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Buildings                 | 20-35 years               | 5%                          | 2.71% to 4.75%              |
| Machinery and equipment   | 8-15 years                | 5%                          | 6.33% to 11.88%             |
| Motor vehicles and others | 5-8 years                 | 0%                          | 12.5% to 20%                |

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each financial year-end.

(c) The carrying amount of fix assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note2 (18)).

(d) Disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in income statement.

**(14) Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, Installation costs, borrowing costs that are eligible for capitalisation incurred before the assets are ready for their intended use and other costs necessary to bring the fixed assets ready for their intended use. Actual cost also includes net of trial production cost and trial production income before construction in progress is put into production.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use and are depreciate from the next month.

The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).

**(15) Borrowing Costs**

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in income statement. Capitalisation of borrowing costs is suspended when the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For a borrowing that is specifically for the purpose of obtaining a qualifying asset, the amounts of borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of these borrowings.

For the other borrowings related to acquisition, construction and production of a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be the lower of the actual borrowing costs incurred and the amount of qualifying asset not financed by specific borrowings multiplying capitalisation rate. The capitalisation rate is the weighted average interest rate of these borrowings.

**(16) Intangible assets**

Intangible assets include land use rights, patents, and exploitation rights. Intangible assets are measured at cost.

**(a) Land use rights**

Land use rights are amortized on the straight-line basis over the period of the land use rights from 30 to 70 years. If it is impracticable to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets.

**(b) Patents**

Patents are amortized on a straight-line basis over periods as stipulated by the contracts.

**(c) Exploitation rights**

Exploitation rights are amortized on permitted exploitation periods set out on the exploitation certificate.

**(d) Periodical review of useful life and amortisation method**

The estimated useful life and amortisation method for an intangible asset with an indefinite useful life is reviewed, and adjusted if appropriate at each financial year-end.

**(e) Impairment of intangible asset**

The carrying amount of intangible asset is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).

(f) **Research and development cost**

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can finally create an intangible asset.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognised as an intangible asset only if all of the following standards are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date the asset is ready for its intended use.

**(17) Long-term prepaid expenses**

Long-term prepaid expenses represent prepayments that should be amortized over more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at cost net of accumulated amortisation.

**(18) Impairment of long-term assets**

Fixed assets, construction in progress, intangible assets with definite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generated unit (CGU) to which the asset belongs is determined. A CGU is the smallest group of assets that is able to generate independent cash inflows.

Separately recognised goodwill is tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. During the test, the carrying value of goodwill is allocated to the related assets or CGU which is expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset or CGU including the allocated goodwill is lower than their carrying amount, the

corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill allocated to the assets or groups of assets, and then deducted from the carrying amount of the remaining assets or groups of assets pro rata excluding goodwill.

Once the asset impairment loss mentioned above is recognised, it is not allowed to be reversed for the value recovered in the subsequent periods.

## **(19) Employee benefits**

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

If the Group commits to terminate the employment with an employee before the expiry of the labor contract or provide compensation as a result of an offer made in order to encourage voluntary redundancy, with a formal plan for the termination or has put forward a proposal for voluntary redundancy and is without realistic possibility of withdrawal, the Group shall recognise a liability and a expenses for termination benefit.

Except for the termination benefits, employee benefits except for the severance pay are recognised as a liability in the accounting period in which an employee has rendered service and costs of assets or expenses to whichever the employee service is attributable.

## **(20) Dividend distribution**

Cash dividends distribution is recognised as a liability in the period in which the dividends are approved by the shareholders' meeting.

## **(21) Share Based Payment**

### **(a) Type of share based payment**

Share-based payment is a transaction in which the entity received services from employee or other parties in exchange of equity instruments of the entity, or settlement based on the price of the entity's equity instruments. Share-based payment plan is be classified as either equity-settled share-based payments or cash-settled share-based payments. In this period, there is no cash-settled share-based payment in the Group.

The Group's restricted A share incentive scheme is equity-settled share-based payment to receive employee service, and measured at fair value of the equity instruments granted on grant date. The shares granted are vest after completing service in the vesting period and achieving specified performance. The Group recognised the services received in current period as cost or expense and credit the capital surplus correspondingly, based on the best estimate of the number of equity instruments expected to vest and the fair value of equity instruments at grant date. If subsequent information indicates that the number of equity instruments expected to vest differs from previous estimate, the Group shall revise the estimate accordingly and adjust the number of shares to actual exercised.

The Group's restricted A share incentive scheme which is equity-settled share-based payment to receive employee service by transferring equity instruments to employees in subsidiaries is measured at fair value of the equity instruments



granted on grant date.

(b) Method for determination of equity instrument fair value

The fair value of equity instruments of subsidiaries is determined by the appraisal institutions.

(c) The basis of determining the number of equity instruments expected to be vest

On each balance sheet date during the vesting period, the Group revise its estimates of the number of equity instruments that are expected to vest based on the latest employee turnover rate and other information.

**(22) Deferred tax asset and deferred tax liability**

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset and presented on net basis when:

- The deferred taxes are relate to the same taxable entity with same taxation authority, and;
- That entity has a legally enforceable right to offset current tax assets against current tax liabilities.

**(23) Provisions**

Provisions for restructuring, product warranties and onerous contracts are recognised when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. Provisions are not recognised for future operating losses.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money are taken into account as

a whole in reaching the best estimate of an estimated liability. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the estimated liability arising from passage of time is recognised as interest expense.

On each balance sheet date, balances of provisions are reviewed and adjusted where necessary, to reflect the current best estimate.

## **(24) Revenue recognition**

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group's activities as described below:

### **(a) Sales of goods**

The Group mainly sells flat and engineer glass, ITO glass, and products related to solar energy. For domestic sales, the Group delivers the products to a certain place specified in the contract. When the buyer takes over the goods, the Group recognizes revenue. For export sales, the Group recognizes the revenue when it finished clearing goods for export and deliver the goods on board the vessel, or when the goods are delivered to a certain place specified in the contract. For above sales, when the buyer takes over the goods, the buyer has the right to sell the products, and should bear the risk of price fluctuation or goods damage.

### **(b) Rendering of services**

Service income is recognised under percentage of completion method. The percentage-of-completion is assessed on the basis of the costs incurred as a percentage of total estimated costs.

### **(c) Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

## **(25) Government grants**

Government grants are the monetary asset the Group receives from the government for free, including tax refund, government subsidies, etc.

Grants from the government are recognised when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions. Monetary government grants are measured at the amounts received or receivable. The non-monetary government grant are measured at fair value, if the fair value cannot be reliably obtained, it is measured at nominal amount.

Government grants relating to assets are those granted by the government for the purchase of long-term assets. Government grants relating to income are those other than the government grants relating to assets .

Government grants relating to assets are recognised as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. The government grants measured at nominal amount is credited to the income statement directly.

Government grants relating to income, which is used to compensate the expenses/costs incurred in future, are recognised as deferred income and then credited to the income statement over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to income, which is used to compensate the expenses/costs incurred in the past, are credited to the income statement directly.

## **(26) Leases**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. The Group has no finance lease this year.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease.

## **(27) Held for sale and discontinued operations**

Non-current assets or disposal group would be classified as held-for-sale when: 1) The Group has determined to dispose non-current assets or part of business; 2) The Group has signed an irrevocable transfer agreement with assignee; 3) The sale should be completed, or expected to be so, within a year from the date of the classification.

Non-current assets or disposal groups (not including financial assets and deferred tax assets) that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The difference between fair value less costs to sell and carrying amount should be presented as impairment loss.

## **(28) Safety production reserve**

According to relevant regulations of the Ministry of Finance and National Administration of Work Safety, a subsidiary of the Group which is engaged in producing and selling polysilicon appropriate safety production reserve on following basis:

- (a) 4% for revenue below RMB10 million of the year;
- (b) 2% for the revenue between RMB10 million to RMB100 million of the year;
- (c) 0.5% for the revenue between RMB100 million to RMB1 billion of the year;
- (d) 0.2% for the revenue above RMB1 billion of the year

The safety production reserve is mainly used for the overhaul and maintenance of safety facilities. The safety production costs are charged to profit and loss when appropriated, and safety production reserve in equity account are credited correspondingly. When use the special reserve, if the expenditures are expenses in nature, the expenses incurred are offset against the special reserve directly when incurred. If the expenditures are capital expenditures, when projects are completed and transferred to fixed assets, the special reserve should be offset against the cost of fixed assets, and a corresponding accumulated depreciation are recognised. The fixed assets are no longer be depreciated in future.

**(29) Segment reporting**

The Group identifies operating segments based on the internal organization structure, management requirements and the internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

**(30) Critical accounting assumptions**

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**(a) Corporate income tax**

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**(b) Deferred tax**

Estimates on deferred tax assets are based on estimates on amount of taxable income and applicable tax rate for every year. Change of the future tax rate as well as the reversed time of temporary difference might have effects on tax expense (income) and the balance of deferred tax assets or liabilities. Those estimates may also cause significant adjustment on deferred tax.

**(c) Impairment of long-term assets (excluding goodwill)**

Long-term assets at the balance sheet date should be subject to impairment testing if there are any indications of impairment. The management determines whether the long-term assets impaired or not by evaluating and analysing following aspects: (1) whether the event affecting assets impairment occurs; (2) whether the expected obtainable present value of future cash flows is lower than the asset's book value by continually using the assets or disposal; and (3) whether the assumptions used in expected obtainable present value of future cash flows are appropriate.

The Company made various assumptions, including the future cash flows and discount rate related to non-current assets.

If these assumptions cannot be conformed, the recoverable amount should be modified, and the long-term assets may be impaired accordingly.

(d) The useful life of fixed assets

The management estimates the useful life of fixed assets, based on historical experiences on using fixed assets that have similar properties and functions. When there are differences between actually useful life and previously estimation, the management will adjust estimation to useful life of fixed assets. The fixed assets would be written off or written down when fixed assets been disposed or became redundant. There will be difference between the results of estimation and actual results next accounting period, so that may have significant adjustments to fixed assets in balance sheet.

**(31) Critical changes in accounting estimates**

After taking an assessment , the management changes the accounting estimates of the depreciation period of fixed assets and the net residual value rate in October 2013.The details are as follows:

|                           | Before the change      |                          |                          | After the change       |                          |                          |
|---------------------------|------------------------|--------------------------|--------------------------|------------------------|--------------------------|--------------------------|
|                           | Estimated useful lives | Estimated residual value | Annual depreciation rate | Estimated useful lives | Estimated residual value | Annual depreciation rate |
| Buildings                 | 10 – 40years           | 5%-10%                   | 2.25% to 9.5%            | 20 – 35years           | 5%                       | 2.71% to 4.75%           |
| Machinery and equipment   | 10 – 16years           | 5%-10%                   | 5.63% to 9.5%            | 8 – 15years            | 5%                       | 6.33% to 11.88%          |
| Motor vehicles and others | 3 - 10years            | 5%-10%                   | 9% to 31.67%             | 5 – 8years             | 0%                       | 12.50% to 20%            |

| Reason for the change of accounting estimate   | Approval precedure  | Affected accounts  | Influence of net profit of current year | Influence after 2013   |
|--|---|--|---|--|
| In order to reflect the financial condition and results of operations and to evaluate the value and comparative analysis more objectively and fairly, the management changed the accounting estimate of the fix asset's useful lives, depreciation rate, and the residual rate. The change of accounting estimated is applied prospectively. | The 6 <sup>th</sup> meeting of the 13 <sup>th</sup> board of directors voted for the bill "change of accounting estimates" on 18 <sup>th</sup> Oct. 2013. | Fixed Asset, Inventory, Cost of Sales, Operating expense, Income tax | Decrease net profit of RMB 36,463,661   | Due to the shorter depreciation period ,depreciati on expense is expected to increase in the initial years, and will be reduced gradually in the subsequent years. |

**3 Taxation**

**(1) The types and rates of taxes applicable to the Group during the current year are set out below:**

| Type                             | Taxable basis  | Tax rate       |
|----------------------------------|--|----------------|
| Corporate income tax ("CIT")     | Taxable income   | 15% to 25%     |
| Value added tax ("VAT")          | Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less current period's deductible VAT input ) | 17%            |
| Urban construction tax           | Total VAT, Business tax and GST  | 1% to 7%       |
| Educational surtax and surcharge | Total VAT, Business tax and GST  | 3% to 5%       |
| Resource Tax                     | Quantities of Silica sold  | 3 Yuan per ton |

The Company has used the "exempt, credit, refund" method on goods exported and the refund rate is 5%-17%.

**(2) Tax incentives and approvals**

Dongguan Solar Glass Co., Ltd. was recognised as a high and new tech enterprise in 2011, and obtained the Certificate of High and New Tech Enterprise. It enjoys 15% preferential tax rate from 2011 to 2013.

Tianjin CSG Energy Conservation Glass Co., Ltd was recognised as a high and new tech enterprise in 2012, and obtained the Certificate of High and New Tech Enterprise. It enjoys 15% preferential tax rate from 2011 to 2013.

Tianjin CSG Architectural Co., Ltd was continuously recognised as a high and new tech enterprise in 2012, and obtained the Certificate of High and New Tech Enterprise. It enjoys 15% preferential tax rate from 2011 to 2013.

Wujiang CSG North-east Architectural Glass Co., Ltd was recognised as a high and new tech enterprise in 2011, and obtained the Certificate of High and New Tech Enterprise. It enjoys 15% preferential tax rate from 2011 to 2013.

Yichang CSG Silicon Co., Ltd was recognised as a high and new tech enterprise in 2011, and obtained the Certificate of High and New Tech Enterprise. It enjoys 15% preferential tax rate from 2011 to 2013.

Dongguan CSG Architectural Co., Ltd. was recognised as a high and new tech enterprise in 2010, valid up to 2012. The review of its high and new tech enterprise status was approved. Corporate income tax rate of 15% was applied for calculation of corporate income tax in 2013.

## 4 Business Combination and Consolidation

### (1) Subsidiaries

#### (a) Subsidiaries established by the group

| Subsidiary   | Type of | Place of registration | Type of Business | Registered                 | Nature of business and principal activities      | Legal           |                   |            |
|--|---------|-----------------------|------------------|----------------------------|--|-----------------|-------------------|------------|
|  | capital |                       |                  | Type of Company            |  | Representative  | Organization code |            |
|  |         |                       |                  | (in RMB ten thousand Yuan) |  |                 |                   |            |
| Shenzhen CSG Float Glass Co., Ltd.                   | Direct  | Shenzhen, the PRC     | Manufacturing    | 70,574                     | Floating Glass manufacturing                     | Joint Venture   | Zhang Fan         | 618806866  |
| Chengdu CSG Glass Co., Ltd.                          | Direct  | Chengdu, the PRC      | Manufacturing    | 24,666                     | Floating Glass manufacturing and Processed glass | Joint Venture   | Zhang Fan         | 75878841-X |
| Tianjin CSG Architectural Glass Co., Ltd.            | Direct  | Tianjin, the PRC      | Manufacturing    | 17,800                     | Processed glass                                  | Joint Venture   | Wu Guobin         | 73847290-1 |
| Tianjin Energy Conservation Glass Co., Ltd.          | Direct  | Tianjin, the PRC      | Manufacturing    | 12,800                     | Production of specialized glass                  | Joint Venture   | Wu Guobin         | 79253038-3 |
| Dongguan CSG Architectural Glass Co., Ltd.           | Direct  | Dongguan, the PRC     | Manufacturing    | 24,000                     | Processed glass                                  | Joint Venture   | Wu Guobin         | 78117633-1 |
| Dongguan CSG Solar Glass Co., Ltd.                   | Direct  | Dongguan, the PRC     | Manufacturing    | 41,600                     | Production of solar glass                        | Joint Venture   | Zhang Fan         | 78117638-2 |
| Yichang CSG Silicon Co., Ltd.                        | Direct  | Yichang, the PRC      | Manufacturing    | 146,798                    | Production of silicon related materials          | Joint Venture   | Ke Hanqi          | 790576740  |
| Wujiang CSG North-east Architectural Glass Co., Ltd. | Direct  | Wujiang, the PRC      | Manufacturing    | 32,000                     | Processed glass                                  | Joint Venture   | Wu Guobin         | 79331343-6 |
| Dongguan CSG PV-tech Co., Ltd.                       | Direct  | Dongguan, the PRC     | Manufacturing    | 51,600                     | Production of solar battery and applications     | Limited Company | Ke Hanqi          | 784875904  |
| Hebei CSG Glass Co., Ltd.                            | Direct  | Yongqing, the PRC     | Manufacturing    | USD 4,806                  | Production of specialized floating glass         | Joint Venture   | Zhang Fan         | 66907553-0 |
| Wujiang CSG Glass Co., Ltd.                          | Direct  | Wujiang, the PRC      | Manufacturing    | 46,504                     | Production of specialized floating glass         | Limited Company | Zhang Fan         | 69451657-X |
| China Southern Glass (Hong Kong) Limited             | Direct  | Hong Kong             | Trading          | HKD 8,644                  | Trading and investment holding                   | Limited Company | Zeng Nan          | 824279     |
| Hebei Shichuang Glass Co., Ltd.                      | Direct  | Yongqing, the PRC     | Manufacturing    | 24,300                     | Production of ultrathin electronic glass         | Limited Company | Zhang Fan         | 56485531-1 |
| Xianning CSG Glass Co Ltd(i)                         | Direct  | Xianning, the PRC     | Manufacturing    | 40,000                     | Production of specialized glass                  | Joint Venture   | Wu Guobin         | 568346784  |
| Qingyuan CSG energy saving new materials Co.,Ltd(i)  | Direct  | Qingyuan, the PRC     | Manufacturing    | 30,000                     | Production of Nonmetallic mineral products       | Limited Company | Zhang Fan         | 57246437   |
| Jiangyou CSG mining develop Co.Ltd                   | Direct  | Jiangyou, the PRC     | Manufacturing    | 4,000                      | Production of silicon and                        | Limited Company | Meng Yinglong     | 68043280-X |

|  | Actual Capital      | Other Item amounts | Stakes | The description if the |                      |             | Losses shared by   |                    |
|--|---------------------|--------------------|--------|------------------------|----------------------|-------------|--------------------|--------------------|
|  | amounts of the year | composing actual   |        | Vote right             | stakes are not equal | Consolidate | Minority interest  | minority equity    |
|  | end                 | investment         | (%)    | (%)                    | with the vote right  |             | (in RMB            | holders            |
|  | (in RMB             | (in RMB            |        |                        |                      |             | (in RMB            | (in RMB            |
|  | ten thousand Yuan)  | ten thousand Yuan) |        |                        |                      |             | ten thousand Yuan) | ten thousand Yuan) |
| Shenzhen CSG Float Glass Co., Ltd.                   | 70,574              | 7,500              | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Chengdu CSG Glass Co., Ltd.                          | 18,500              | -                  | 75     | 75                     | N.A                  | YES         | 15,568             | -                  |
| Tianjin CSG Architectural Glass Co., Ltd.            | 17,800              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Tianjin Energy Conservation Glass Co., Ltd.          | 12,800              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Dongguan CSG Architectural Glass Co., Ltd.           | 24,000              | 17,000             | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Dongguan CSG Solar Glass Co., Ltd.                   | 41,600              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Yichang CSG Silicon Co., Ltd. (i)                    | 76,639              | -                  | 93.97  | 83.3                   | (i)                  | YES         | 5,415              | (366)              |
| Wujiang CSG North-east Architectural Glass Co., Ltd. | 32,000              | 5,600              | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Dongguan CSG PV-tech Co., Ltd.                       | 29,400              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Hebei CSG Glass Co., Ltd.                            | USD 4,806           | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Wujiang CSG Glass Co., Ltd.                          | 46,504              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| China Southern Glass (Hong Kong) Limited             | HKD 8,644           | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Hebei Shichuang Glass Co., Ltd.                      | 24,300              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Xianning CSG Glass Co Ltd                            | 30,000              | -                  | 75     | 75                     | N.A                  | YES         | 10,700             | -                  |
| Qingyuan CSG energy saving new materials Co.,Ltd     | 30,000              | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |
| Jiangyou CSG Mining Develop Co.Ltd                   | 4,000               | -                  | 100    | 100                    | N.A                  | YES         | -                  | -                  |

(i) The proportion of voting power is determined on the proportion of the Company's directors to the total directors of the subsidiary.



## (b) Subsidiary acquired through business combination involving entities not under common control

| Subsidiary type                             | Registration place                 | Nature of business                     | Registered capital         |                             | Scope of business   | Type of enterprise         | Legal representative       | Organization code                        |
|---|------------------------------------|--|----------------------------|-----------------------------|---|----------------------------|----------------------------|--|
|   |                                    |  | (in RMB ten thousand Yuan) | (in RMB ten thousand Yuan)  |   |                            |                            |  |
| Yichang CSG photoelectric Glass Co, Ltd (i) | Yichang, the PRC                   | Manufacturing industry                 | 12,000                     |                             | Production and sales of various ultra-thin electronic glass   | Sino foreign joint venture | Zhang fan                  | 56273783-X                               |
|   |                                    |  |                            |                             | The description if the stakes are not equal to the vote right |                            | Minority interest          | Losses shared by minority equity holders |
|   | Actual capital amounts at year end | Other item composing actual investment | Vote Stakes                | not equal to the vote right | Consolidate   | (in RMB ten thousand Yuan) | (in RMB ten thousand Yuan) | (in RMB ten thousand Yuan)               |
| Yichang CSG photoelectric Glass Co, Ltd (i) | 9,860                              | -                                      | 73.58                      | 66.7                        | (ii) YES  | 3,442                      | (98)                       |  |

(i) It was acquired from third parties in 2013. (Notes 4(2)(a))

(ii) The proportion of voting power is determined on the proportion of the Company's directors to the total directors of the subsidiary.

## (2) The new subsidiaries in the scope of the consolidation and the subsidiaries not in the scope of consolidation this year

## (a) The subsidiary newly brought into the consolidation scope this year

|   | Net asset on 31 December 2013 | Net loss in current period |
|---|-------------------------------|----------------------------|
| Yichang CSG photoelectric Glass Co, Ltd | 142,383,917                   | (3,698,881)                |

On 11 December 2012, the Group entered into an agreement to acquire 46.43% and 27.15% equity interests in Yichang Hejing Photoconductive Ceramics Co., Ltd. from Tai Chang Investment Co., Ltd. ("Tai Chang investment") and Shenzhen Bao Teng Heng Fu Venture Investment Enterprises (limited partnership) ("Bao Teng Heng Fu") at consideration of RMB39,001,200 and RMB22,806,000, respectively. As at 31 December 2013, the Group has already paid all the consideration. The transaction was completed on 18 January 2013.

(b) The subsidiary not in the consolidation scope this year

|   | Net asset<br>on disposal date | Net profit/(loss) from<br>beginning of the year to<br>disposal date |
|---|-------------------------------|---|
| Shenzhen CSG Display Technology Co., Ltd. (i) | 396,569,777                   | 200,428,388   |
| China Southern Glass (Australia) Limited (ii) | 2,844,294                     | 2,566,359   |

(i) The Group disposed part of the equity interests in Shenzhen CSG Display Technology Co., Ltd. , and the Group lost control of Shenzhen CSG Display Technology Co., Ltd. and its subsidiaries (including CSG Shenzhen Wellight Conductive Coating Co., Ltd. , Shenzhen V-interface Technology Co., Ltd. , Shenzhen CSG Hongxu Technology Co., Ltd. , Yichang CSG Display Co., Ltd. , Shenzhen Nanxian Technology Co., Ltd.). Therefore, these entities are not in the consolidation scope this year.

(ii) The Group disposed part of the equity interests in China Southern Glass (Australia) Limited, and the Group lost control of it. Therefore, it is not in the consolidation scope this year.

### (3) Business combination involving entities not under common control

On 18 January 2013, the Group acquired 46.43% and 27.15% equity interests in Yichang Hejing Photoconductive Ceramics Co., Ltd. from Tai Chang Investment and Bao Teng Heng Fu. The acquisition date was 18 January 2013, when the Group obtained the control of Yichang CSG photoelectric Glass Co, Ltd.

(a) Recognition of consideration and goodwill are shown as follows:

|   |                     |
|---|---------------------|
| Consideration -                                 |                     |
| Cash paid for the acquisition                   | 61,807,200          |
| Less: Share of net identifiable assets acquired | <u>(61,807,200)</u> |
| Goodwill  | <u>-</u>            |

(b) The asset, liability, and cash flow related to acquisition are shown as follows:

|  | Fair value<br>on acquisition<br>date | Carrying<br>amount<br>on acquisition<br>date | Carrying amount<br>on 31 December<br>2012 |
|--|--------------------------------------|--|---|
| Cash at bank and on hand                         | 44,347,128                           | 44,347,128                                   | 44,341,945                                |
| Accounts receivable                              | 4,245,154                            | 4,245,154                                    | 4,245,154                                 |
| Inventories                                      | 911,377                              | 911,377                                      | 911,377                                   |
| Other current assets                             | 3,000                                | 3,000  | 3,000                                     |
| Property, plant, and equipment                   | 76,804                               | 76,804                                       | 76,804                                    |
| Construction in progress                         | 12,866,716                           | 24,949,514                                   | 24,949,514                                |
| Intangible assets                                | 22,397,839                           | 22,397,839                                   | 22,397,839                                |
| Less: Accounts payable                           | (825,943)                            | (825,943)                                    | (825,943)                                 |
| Employee benefits payable                        | (241,643)                            | (241,643)                                    | (241,643)                                 |
| Taxes payable                                    | 323,512                              | 323,512                                      | 323,512                                   |
| Other liabilities                                | (103,944)                            | (98,760)                                     | (98,760)                                  |
| Net assets                                       | 84,000,000                           | 96,087,982                                   | 96,082,799                                |
| Less: Minority interest                          | (22,192,800)                         |  |   |
| Net assets acquired                              | 61,807,200                           |  |   |
| Cash paid for the acquisition                    | (61,807,200)                         |  |   |
| Add: Payment paid in the year 2012               | 22,806,000                           |  |   |
| Add: Cash of the subsidiary acquired             | 44,347,128                           |  |   |
| Net amount of cash received from the acquisition | 5,345,928                            |  |   |

The Group recognized the fair value on the consolidated date of assets and liabilities of Yichang CSG photoelectric Glass Co, Ltd via valuation. The property, plant, and equipment, construction in progress, and intangible assets were valued by replacement cost. The replacement cost was recognized at the market price, assuming that the scale and usage remained the same.

(c) Revenue, net loss, and cash flow from acquisition date to 31 December 2013 are shown as follows:

|                                     |              |
|-------------------------------------|--------------|
| Revenue                             | 56,585       |
| Net loss                            | (3,698,881)  |
| Cash flow from operating activities | (5,530,235)  |
| Net cash outflow                    | (37,124,806) |

**(4) Loss of subsidiary resulted from disposal of equity interest**

|  | Disposal date    | Method of profit or loss recognition |
|--|------------------|--------------------------------------|
| Shenzhen CSG Display Technology Co., Ltd. (i)<br>("Display Glass") | 2 December 2013  | Calculation referred to Note 4(4)(c) |
| China Southern Glass (Australia) Limited (ii)                      | 13 December 2013 | Calculation referred to Note 4(4)(c) |

(i) On 16 August 2013, the Group signed an irrevocable equity transfer agreement with third party, Shenzhen Xin Shi Investment Co., Limited. ("Xin Shi Investment"), to dispose its 19% shares of Shenzhen CSG Display Technology Co., Ltd at RMB424,980,000. The disposal was completed on 8 October 2013.

Meanwhile, according to the agreement above, the board of directors of Display Glass resolved to increase the capital of Display Glass at RMB402,586,699. Among the contributed capital, RMB21,810,194 related to the registered capital. The difference between the contributed capital and the registered capital above would be recognized as capital surplus. The Group contributed capital at RMB95,619,932, and other shareholders contributed capital at RMB 306,966,767. On 2 December 2013, the injection was completed, and the proportion of shares of the Group decreased to 44.70%. The Group lost control of Display Glass after the transaction. Display Glass became the associate of the Group.

(ii) On 16 July 2013, the Group signed an irrevocable equity transfer agreement with third party, Truly Wealth Limited, to dispose its 51% shares of China Southern Glass (Australia) Limited at RMB1,433,663. The disposal was completed on 13 December 2013. China Southern Glass (Australia) Limited became the associate of the Group.

(a) Disposal consideration and cash flow are shown as follows:

|                                     | Total              | Shenzhen CSG<br>Display Technology<br>Co., Ltd | China Southern<br>Glass (Australia)<br>Limited |
|-------------------------------------|--------------------|--|--|
| Disposal consideration              | 426,413,663        | 424,980,000                                    | 1,433,663                                      |
| Cash and cash equivalents received  | 426,413,663        | 424,980,000                                    | 1,433,663                                      |
| Less: Cash held by disposed company | (144,986,958)      | (131,182,912)                                  | (13,804,046)                                   |
| Net cash received in the year 2013  | <u>281,426,705</u> | <u>293,797,088</u>                             | <u>(12,370,383)</u>                            |

(b) Net assets of disposed companies are as follows:

Shenzhen CSG Display Technology Co., Ltd

|                       | Disposal date      | 31 December 2012   |
|-----------------------|--------------------|--------------------|
| Current asset         | 373,347,936        | 246,192,762        |
| Non-current asset     | 1,005,359,231      | 751,271,461        |
| Current liability     | (721,338,890)      | (343,115,330)      |
| Non-current liability | (260,798,500)      | (229,610,000)      |
| Total                 | <u>396,569,777</u> | <u>424,738,893</u> |

## China Southern Glass (Australia) Limited

|                   | Disposal date    | 31 December 2012  |
|-------------------|------------------|-------------------|
| Current Asset     | 14,163,700       | 23,616,144        |
| Non-current Asset | 496,174          | 530,651           |
| Current Liability | (11,815,580)     | (13,432,248)      |
| Total             | <u>2,844,294</u> | <u>10,714,547</u> |

(c) Profit or loss from disposal are shown as follows:

|   | Total                | Shenzhen CSG<br>Display Technology<br>Co., Ltd | China Southern<br>Glass (Australia)<br>Limited |
|---|----------------------|--|--|
| Consideration   | 426,413,663          | 424,980,000                                    | 1,433,663                                      |
| Add: Fair value of retained equity interests on disposal date                     | 769,705,127          | 768,311,423                                    | 1,393,704                                      |
| Add: Minority interest of disposed companies on disposal date                     | 128,615,616          | 128,615,616                                    | -  |
| Add: Other comprehensive income of disposed companies recycled to profit and loss | 1,318,802            | -  | 1,318,802                                      |
| Less: Net assets of disposed companies on disposal date                           | <u>(399,414,071)</u> | <u>(396,569,777)</u>                           | <u>(2,844,294)</u>                             |
| Investment income   | <u>926,639,137</u>   | <u>925,337,262</u>                             | <u>1,301,875</u>                               |

The used valuation technique to determine the fair value of retained equity interests on the date of disposals. The valuation adopted is income approach. The discount rate was determined according to the pre-tax rate of particular risk of asset group. The key assumptions are shown as follows:

| Key assumptions | Assumed percentage |
|-----------------|--------------------|
| Discount rate   | 12%                |

(d) Revenue, cost and loss from 1 January 2013 to the date of disposal date are shown as follows:

|                         | Total         | Shenzhen CSG<br>Display Technology<br>Co., Ltd | China Southern<br>Glass (Australia)<br>Limited |
|-------------------------|---------------|--|--|
| Revenue                 | 899,179,386   | 829,281,296                                    | 69,898,090                                     |
| Less: Cost and expenses | (661,562,157) | (595,328,826)                                  | (66,233,331)                                   |
| Total Loss              | 237,617,229   | 233,952,470                                    | 3,664,759                                      |
| Less: Income tax        | (34,622,482)  | (33,524,082)                                   | (1,098,400)                                    |
| Net Loss                | 202,994,747   | 200,428,388                                    | 2,566,359                                      |

#### (5) Exchange rate for the translation of the major foreign operations' financial statements

|  | Asset and Liability Items |                  |
|--|---------------------------|------------------|
|  | 31 December 2013          | 31 December 2012 |
| China Southern Glass (Hong Kong) Limited | 1HKD=0.7862RMB            | 1HKD=0.8109RMB   |

Shareholders' equity items, income, expenses and cash flow items other than undistributed profit are calculated by adopting spot exchange rate at the transaction date.

## 5 Notes to the consolidated financial statements

### (1) Cash at bank and on hand

|              | 31 December 2013    |                  |                   | 31 December 2012    |                  |                   |
|--------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|
|              | Foreign<br>currency | Exchange<br>rate | RMB<br>equivalent | Foreign<br>currency | Exchange<br>rate | RMB<br>equivalent |
| Cash on hand |                     |                  |                   |                     |                  |                   |
| RMB          | -                   | -                | 28,169            | -                   | -                | 22,211            |
| HKD          | 5,010               | 0.7862           | 3,939             | 5,728               | 0.8109           | 4,645             |
| AUD          | -                   | 5.4301           | -                 | 200                 | 6.5363           | 1,307             |
| EUR          | -                   | 8.4189           | -                 | 5                   | 8.3176           | 42                |
|              |                     |                  | 32,108            |                     |                  | 28,205            |
| Cash at bank |                     |                  |                   |                     |                  |                   |
| RMB          | -                   | -                | 257,353,099       | -                   | -                | 396,456,715       |
| HKD          | 5,657,232           | 0.7862           | 4,447,716         | 1,658,738           | 0.8109           | 1,345,071         |
| AUD          | -                   | 5.4301           | -                 | 2,509,732           | 6.5363           | 16,404,361        |
| USD          | 2,367,220           | 6.0969           | 14,432,704        | 5,225,623           | 6.2855           | 32,845,653        |
| EUR          | 9,558               | 8.4189           | 80,468            | 47,641              | 8.3176           | 396,259           |
| JPY          | -                   | 0.0578           | -                 | 5,548               | 0.0730           | 405               |
|              |                     |                  | 276,313,987       |                     |                  | 447,448,464       |

|                     |   |        |                    |        |        |                    |
|---------------------|---|--------|--------------------|--------|--------|--------------------|
| Other cash balances |   |        |                    |        |        |                    |
| RMB                 | - | -      | 3,326,428          | -      | -      | 26,859,710         |
| HKD                 | - | 0.7862 | -                  | 4,021  | 0.8109 | 3,261              |
| AUD                 | - | 5.4301 | -                  | 12,490 | 6.5363 | 81,638             |
|                     |   |        | <u>3,326,428</u>   |        |        | <u>26,944,609</u>  |
|                     |   |        | <u>279,672,523</u> |        |        | <u>474,421,278</u> |

Other cash balances include margin deposits for issuing letters of credit and bank acceptance notes, amounted to RMB3,221,655 (2012: RMB26,684,742), which is restricted cash.

**(2) Notes receivable**

|                        | 31 December 2013   | 31 December 2012   |
|------------------------|--------------------|--------------------|
| Trade acceptance notes | 25,249,258         | 35,005,451         |
| Bank acceptance notes  | <u>298,640,232</u> | <u>264,798,897</u> |
|                        | <u>323,889,490</u> | <u>299,804,348</u> |

**(3) Accounts receivable**

|                               | 31 December 2013   | 31 December 2012   |
|-------------------------------|--------------------|--------------------|
| Accounts receivable           | 140,386,765        | 283,737,288        |
| Less: provision for bad debts | <u>(3,956,082)</u> | <u>(6,922,827)</u> |
|                               | <u>136,430,683</u> | <u>276,814,461</u> |

(a) The aging of accounts receivables are analysed as below:

|                  | 31 December 2013   | 31 December 2012   |
|------------------|--------------------|--------------------|
| Within 1 year    | 134,535,013        | 279,303,596        |
| 1 to 2 years     | 5,774,297          | 3,683,996          |
| 2 to 3 years     | -                  | -                  |
| 3 to 4 years     | -                  | 749,696            |
| 4 years or above | <u>77,455</u>      | <u>-</u>           |
|                  | <u>140,386,765</u> | <u>283,737,288</u> |

(b) Accounts receivable are analysed by categories as follows:

|  | 31 December 2013   |                         |                    |           | 31 December 2012   |                         |                    |           |
|--|--------------------|-------------------------|--------------------|-----------|--------------------|-------------------------|--------------------|-----------|
|  | Amount             | Provision for bad debts |                    |           | Amount             | Provision for bad debts |                    |           |
|  | % of               | total                   | Provision for      | Provision | % of total         | Provision for           | Provision          |           |
|  | Amount             | balance                 | bad debts          | coverage  | Amount             | balance                 | bad debts          | coverage  |
| Individually significant and provided for bad debts separately     | -                  | -                       | -                  | -         | -                  | -                       | -                  | -         |
| Individually not significant but provided for bad debts separately | 1,176,952          | 1%                      | (1,176,952)        | 100%      | 1,125,701          | 0%                      | (1,125,701)        | 100%      |
| Provided for bad debts by portfolio                                |                    |                         |                    |           |                    |                         |                    |           |
| Portfolio 1  | 135,011,681        | 96%                     | (2,779,130)        | 2%        | 282,611,587        | 100%                    | (5,797,126)        | 2%        |
| Portfolio 2  | 4,198,132          | 3%                      | -                  | 0%        | -                  | -                       | -                  | -         |
|  | <u>140,386,765</u> | <u>100%</u>             | <u>(3,956,082)</u> | <u>3%</u> | <u>283,737,288</u> | <u>100%</u>             | <u>(6,922,827)</u> | <u>2%</u> |

- (c) As at 31 December 2013, the Group did not have any accounts receivable individually significant and provided for bad debts separately (31 December 2012: Nil).
- (d) As at 31 December 2013, accounts receivable of RMB1,176,952 (31 December 2012: RMB1,125,701) was not individually significant but provided for bad debts separately. It represented the trade receivables of Dongguan South Glass Photovoltaic Technology co., LTD. (" Dongguan CSG PV "). Due to the business dispute, Dongguan South CSG PV made full provision against this receivable.
- (e) Accounts receivables of RMB190,603 (31 December 2012: RMB634,340) were written off this year, all of which are low amount of accounts receivable and none of which was arised from related-party transactions. The reasons for the written-off include disputes with customers and inability to contact with creditors and etc.
- (f) In 2013, the Group did not have any balances due by parties having 5% or above voting rights in the Company.
- (g) As at 31 December 2013, the Group's five largest accounts receivable balances are set out as below:

|            | Relationship            | Amount            | Aging       | % of total balance |
|------------|-------------------------|-------------------|-------------|--------------------|
| Customer A | Independent third party | 35,813,369        | With 1 year | 25.51%             |
| Customer B | Independent third party | 24,322,252        | With 1 year | 17.33%             |
| Customer C | Independent third party | 11,803,090        | With 1 year | 8.41%              |
| Customer D | Independent third party | 7,188,844         | With 1 year | 5.12%              |
| Customer E | Independent third party | 6,289,895         | With 1 year | 4.48%              |
|            |                         | <u>85,417,450</u> |             | <u>60.85%</u>      |



(h) Accounts receivables of intercompanies are set out as below:

|  | Relationship with the Group | 31 December 2013 |                    |                         | 31 December 2012 |                    |                         |
|--|-----------------------------|------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
|  |                             | Amount           | % of total balance | Provision for bad debts | Amount           | % of total balance | Provision for bad debts |
| Shenzhen CSG Display Technology Co., Ltd | Associate                   | 544,391          | 0.39%              | -                       | -                | -                  | -                       |
| China Southern Glass (Australia) Limited | Associate                   | 3,653,741        | 2.60%              | -                       | -                | -                  | -                       |
|  |                             | <u>4,198,132</u> | <u>2.99%</u>       | <u>-</u>                | <u>-</u>         | <u>-</u>           | <u>-</u>                |

(i) The following balances were dominated in foreign currency.

|     | 31 December 2013 |               |                   | 31 December 2012 |               |                   |
|-----|------------------|---------------|-------------------|------------------|---------------|-------------------|
|     | foreign currency | Exchange rate | RMB equivalent    | foreign currency | Exchange rate | RMB equivalent    |
| USD | 2,693,200        | 6.0969        | 16,420,171        | 12,858,232       | 6.2855        | 80,820,417        |
| EUR | 135,340          | 8.4189        | 1,139,414         | 1,038,834        | 8.3176        | 8,640,606         |
| HKD | 9,340            | 0.7862        | 7,343             | -                | 0.8109        | -                 |
| AUD | -                | 5.4301        | -                 | 130,711          | 6.5363        | 854,366           |
| JPY | -                | 0.0578        | -                 | 138,767          | 0.0730        | 10,130            |
|     |                  |               | <u>17,566,928</u> |                  |               | <u>90,325,519</u> |

#### (4) Other receivables

|  | 31 December 2013   | 31 December 2012   |
|--|--------------------|--------------------|
| Receivable from an associate                       | 20,491,742         | -                  |
| Receivable from insurance company                  | 72,000,000         | -                  |
| Deposits   | 11,894,550         | 28,747,768         |
| Payments made on behalf of other parties           | 3,577,151          | 5,227,708          |
| Petty Cash   | 1,093,081          | 1,239,412          |
| Consideration receivable for dispose of subsidiary | -                  | 20,000,000         |
| Export tax rebates receivable                      | -                  | 420,640            |
| Others   | 668,948            | 9,841,508          |
|  | <u>109,725,472</u> | <u>65,477,036</u>  |
| Less: Provision for bad debts                      | <u>(359,449)</u>   | <u>(2,429,652)</u> |
|  | <u>109,366,023</u> | <u>63,047,384</u>  |

(a) The aging of other receivables are analysed below:

|               | 31 December 2013   | 31 December 2012  |
|---------------|--------------------|-------------------|
| Within 1 year | 97,843,656         | 52,353,701        |
| 1 to 2 years  | 4,066,046          | 11,073,432        |
| 2 to 3 years  | 7,110,817          | 1,114,100         |
| 3 to 4 years  | 584,295            | 30,100            |
| 4 to 5 years  | 30,000             | 75,045            |
| Over 5 years  | 90,658             | 830,658           |
|               | <u>109,725,472</u> | <u>65,477,036</u> |

(b) Other receivables are analysed by categories as below:

|  | 31 December 2013   |                          |                               |                       | 31 December 2012  |                          |                               |                       |
|--|--------------------|--------------------------|-------------------------------|-----------------------|-------------------|--------------------------|-------------------------------|-----------------------|
|  | Amount             | % of<br>total<br>balance | Provision<br>for<br>bad debts | Provision<br>coverage | Amount            | % of<br>total<br>balance | Provision<br>for<br>bad debts | Provision<br>coverage |
| Individually significant and provided for bad debts separately     | -                  | -                        | -                             | -                     | -                 | -                        | -                             | -                     |
| Individually not significant but provided for bad debts separately | -                  | -                        | -                             | -                     | 810,345           | 1%                       | (810,345)                     | 100%                  |
| Provided for bad debts by portfolio                                |                    |                          |                               |                       |                   |                          |                               |                       |
| Portfolio 1  | 89,233,730         | 81%                      | (359,449)                     | 0.4%                  | 64,666,691        | 99%                      | (1,619,307)                   | 3%                    |
| Portfolio 2  | 20,491,742         | 19%                      | -                             | -                     | -                 | -                        | -                             | -                     |
|  | <u>109,725,472</u> | 100%                     | <u>(359,449)</u>              | 0.3%                  | <u>65,477,036</u> | 100%                     | <u>(2,429,652)</u>            | 4%                    |

As at 31 December 2013, Portfolio 1 includes RMB72,000,000 insurance compensate from PICC Property and Casualty Company Limited (PICCP&C). The Group received the compensate on January, 2014. Therefore there was no provision for the receivable.

(c) As at 31 December, 2013, other receivables of RMB810,345 were written off this year. It represented the receivable from Guangdong Shi Lian Industry (Group) Co., Ltd. The Group could not contact with debtor, so the Group made full provision against the receivable.

(d) The Group did not have any balances which were due by parties having 5% or above voting rights in the Company.

(e) As at 31 December 2012, the largest five balances are set out as below:

|           | Relationship            | Amount             | Aging         | % of total balance |
|-----------|-------------------------|--------------------|---------------|--------------------|
| Company A | Independent third party | 72,000,000         | Within 1 year | 66%                |
| Company B | Associate               | 20,491,742         | 1 to 2 years  | 19%                |
| Company C | Independent third party | 5,050,000          | 1 to 2 years  | 5%                 |
| Company D | Independent third party | 2,000,000          | 1 to 2 years  | 2%                 |
| Company E | Independent third party | 1,635,119          | Within 1 year | 1%                 |
|           |                         | <u>101,176,861</u> |               | <u>93%</u>         |

(f) The other receivables of intercompany are set out as below:

|  | Relationship with the Group | 31 December 2013  |                    |                         | 31 December 2012 |                    |                         |
|--|-----------------------------|-------------------|--------------------|-------------------------|------------------|--------------------|-------------------------|
|  |                             | Amount            | % of total balance | Provision for bad debts | Amount           | % of total balance | Provision for bad debts |
| Shenzhen CSG Display Technology Co., Ltd | Associate                   | <u>20,491,742</u> | <u>19%</u>         | <u>-</u>                | <u>-</u>         | <u>-</u>           | <u>-</u>                |

(g) The balances of other receivables are mainly denominated in RMB.

## (5) Advance to suppliers

(a) The aging of advance to suppliers are analysed as below:

|               | 31 December 2013  | 31 December 2012  |
|---------------|-------------------|-------------------|
| Within 1 year | 64,425,812        | 52,735,324        |
| 1 to 2 years  | 1,194,891         | 2,975,830         |
| 2 to 3 years  | -                 | 14,296,415        |
| Over 3 years  | 7,757,626         | -                 |
|               | <u>73,378,329</u> | <u>70,007,569</u> |

(b) As at 31 December 2013, the five largest advances to supplies are set out as below.

|            | Relationship            | Amount            | % of total<br>balance | Payment time | Reason for unsettlement     |
|------------|-------------------------|-------------------|-----------------------|--------------|-----------------------------|
| Supplier A | Independent third party | 12,465,831        | 17%                   | 2013         | Prepayment for gas          |
| Supplier B | Independent third party | 6,272,626         | 9%                    | 2010         | Prepayment for raw material |
| Supplier C | Independent third party | 5,075,899         | 7%                    | 2013         | Prepayment for gas          |
| Supplier D | Independent third party | 3,687,735         | 5%                    | 2013         | Prepayment for equipment    |
| Supplier E | Independent third party | 2,256,402         | 3%                    | 2013         | Prepayment for equipment    |
|            |                         | <u>29,758,493</u> | <u>41%</u>            |              |                             |

(c) As at 31 December 2013, the Group did not have any balances which were due to either parties holding 5% or above shareholdings in the Company or intercompanies.

(d) The balances of advance to suppliers are dominated in RMB.

## (6) Inventories

(a) The inventory is categorised as below:

|                   | 31 December 2013   |   |                    | 31 December 2012   |   |                    |
|-------------------|--------------------|---|--------------------|--------------------|---|--------------------|
|                   | Book<br>Balance    | Provision for<br>declines in<br>the value of<br>inventories | Net book<br>value  | Book<br>Balance    | Provision for<br>declines in<br>the value of<br>inventories | Net book<br>value  |
| Raw materials     | 172,776,858        | (3,460,876)   | 169,315,982        | 127,994,973        | (1,899,711)   | 126,095,262        |
| Work in progress  | 11,390,574         | -   | 11,390,574         | 12,423,656         | -   | 12,423,656         |
| Finished goods    | 159,807,342        | (674,152)   | 159,133,190        | 215,160,985        | (26,587,832)  | 188,573,153        |
| Package materials | 38,844,966         | -   | 38,844,966         | 40,201,786         | -   | 40,201,786         |
|                   | <u>382,819,740</u> | <u>(4,135,028)</u>  | <u>378,684,712</u> | <u>395,781,400</u> | <u>(28,487,543)</u>   | <u>367,293,857</u> |

(b) The provisions for declines in the value of inventories is analysed below:

|                | 31 December 2012  | Additions        | Less     |                     | 31 December 2013 |
|----------------|-------------------|------------------|----------|---------------------|------------------|
|                |                   |                  | Reverse  | Written off         |                  |
| Finished goods | 26,587,832        | 574,594          | -        | (26,488,274)        | 674,152          |
| Raw materials  | 1,899,711         | 2,001,176        | -        | (440,011)           | 3,460,876        |
|                | <u>28,487,543</u> | <u>2,575,770</u> | <u>-</u> | <u>(26,928,285)</u> | <u>4,135,028</u> |

(c) The provisions for declines in the value of inventories is analysed below:

|                | Basis for accrued inventory write-down provision   | Reasons of inventory write-down provision reversal | The proportion of reversal to inventory year end balance |
|----------------|--|--|--|
| Finished goods | The amount of book value less net realisable value | -  | -  |
| Raw materials  | The amount of book value less net realisable value | -  | -  |

**(7) Other current assets**

|  | 31 December 2013     | 31 December 2012   |
|--|----------------------|--------------------|
| Non-current assets held for sale                 | 852,391,605          | -                  |
| - property, plant, and equipment (Note 5(10)(a)) | 714,861,781          | -                  |
| - construction in progress (Note 5(11)(a))       | 96,289,101           | -                  |
| - intangible assets (Note 5(12)(a))              | 41,240,723           | -                  |
| Deductible input value-added tax                 | 169,072,490          | 167,499,349        |
|  | <u>1,021,464,095</u> | <u>167,499,349</u> |

On 11 September 2013, the Group signed an irrevocable equity transfer agreement with third party, Jin Shi Dai Investment (Shenzhen) Co., Limited. ("Jin Shi Dai"), to dispose its 100% shares of Shenzhen CSG Float Glass Co., Ltd. The property, plant, and equipment, construction in progress, and intangible assets were reclassified as non-current assets held for sale. As at 31 December 2013, the disposal was still not completed.

The management of the Group considered that the non-current assets held for sale was not impaired.

**(8) Available-for-sale financial assets**

|                                      | 31 December 2013   | 31 December 2012   |
|--------------------------------------|--------------------|--------------------|
| Available-for-sale equity instrument | 122,760,000        | 109,955,459        |
| Less: Impairment                     | -                  | -                  |
|                                      | <u>122,760,000</u> | <u>109,955,459</u> |

(a) Details of available-for-sale financial assets are set out as below:

|   | 31 December 2013 | 31 December 2012 |
|---|------------------|------------------|
| Available-for-sale financial assets         |                  |                  |
| —Fair value                                 | 122,760,000      | 109,955,459      |
| —Cost                                       | 66,426,290       | 66,426,290       |
| —Accumulation of other comprehensive income | 56,333,710       | 43,529,169       |
| —Accumulation of impairment                 | -                | -                |

Available-for-sale equity instrument is the Group's investment in Guangdong Golden Glass Technologies Limited ("Golden Glass"). The Group held 18,000,000 shares of Golden Glass and had 8.33% voting rights.

The fair value of the available for sale equity instrument was determined by reference to the quoted market price of Golden Glass (Note 13(4)(b)). During the year, the fair value gain (net of income tax) is RMB 9,857,002 (2012: fair value loss of RMB 6,110,221). The gain had been included in capital reserve (Note 5(32)).

#### (9) Long-term equity investments

|  | 31 December 2013   | 31 December 2012 |
|--|--------------------|------------------|
| Associates – with no fair value                                | 770,037,176        | -                |
| Other long-term equity investments                             | -                  | 444,997          |
| Less: Provision for impairment of long-term equity investments | -                  | (444,997)        |
|  | <u>770,037,176</u> | <u>-</u>         |

The long-term equity investments of the Company are not subject to restriction on conversion into cash.

#### (a) Associates

|  | Cost     | Variation in current year |                                 |                                  | 31 December 2013 |             |
|--|----------|---------------------------|---------------------------------|----------------------------------|------------------|-------------|
|  |          | 31 December 2012          | Newly increased in current year | Share of other changes in equity |                  |             |
| Shenzhen CSG Display Technology Co., Ltd (i) | 18,633   | -                         | 768,311,423                     | (133,605)                        | 27,047           | 768,204,865 |
| China Southern Glass (Australia) Limited (i) | AUD 24.5 | -                         | 1,393,704                       | 438,607                          | -                | 1,832,311   |
|  |          | -                         | 769,705,127                     | 305,002                          | 27,047           | 770,037,176 |

(in ten thousand)

|  | Method        | Stakes (%) | Vote right (%) | The description if the stakes are not equal to the vote right | Provision | Provision accrued in current year |
|--|---------------|------------|----------------|---|-----------|-----------------------------------|
| Shenzhen CSG Display Technology Co., Ltd (i) | Equity method | 44.70%     | 44.70%         | -   | -         | -                                 |
| China Southern Glass (Australia) Limited (i) | Equity method | 49.00%     | 49.00%         | -   | -         | -                                 |
|  |               |            |                |   | <u>-</u>  | <u>-</u>                          |
|  |               |            |                |   | <u>-</u>  | <u>-</u>                          |

(i) Due to the disposal of shares of Display Glass and China Southern Glass (Australia) Limited, the Group lost control over these entities, and retained significant influence. Both companies were no longer in the scope of combination since the disposal date. The remain shares would be evaluated at fair value, and would be recognized under equity method.

(b) Other long-term equity investments

|   | Method      | Original Cost  | 31 December 2012 | Movement in the year | 31 December 2013 | Cash dividends declared this year |
|---|-------------|----------------|------------------|----------------------|------------------|-----------------------------------|
| Hainan Pearl River Construction Co., Ltd. | Cost Method | 395,000        | 395,000          | (395,000)            | -                | -                                 |
| Hainan Heng Tong Industrial Co., Ltd.     | Cost Method | 49,997         | 49,997           | (49,997)             | -                | -                                 |
|   |             | <u>444,997</u> | <u>444,997</u>   | <u>(444,997)</u>     | <u>-</u>         | <u>-</u>                          |

As the Group could not contact with above companies, the Group could not obtain related financial information from these companies, and made full impairment to these long-term equity investment. These investments were written off in current year.

**(10) Property, plant, and equipment**

|                                     | 31 December 2012 | Additions     | Deductions      | 31 December 2013 |
|-------------------------------------|------------------|---------------|-----------------|------------------|
| Original cost                       | 12,306,368,133   | 1,312,312,632 | (3,512,629,526) | 10,106,051,239   |
| Buildings                           | 2,841,750,610    | 337,187,269   | (553,756,337)   | 2,625,181,542    |
| Machinery and equipment             | 9,233,063,497    | 953,478,162   | (2,870,027,562) | 7,316,514,097    |
| Motor vehicles and others           | 231,554,026      | 21,647,201    | (88,845,627)    | 164,355,600      |
| Accumulated depreciation            | 2,553,133,177    | 666,726,289   | (1,144,391,446) | 2,075,468,020    |
| Buildings                           | 339,957,441      | 97,390,296    | (122,121,367)   | 315,226,370      |
| Machinery and equipment             | 2,078,200,602    | 543,431,376   | (967,955,607)   | 1,653,676,371    |
| Motor vehicles and others           | 134,975,134      | 25,904,617    | (54,314,472)    | 106,565,279      |
| Total book value                    | 9,753,234,956    |               |                 | 8,030,583,219    |
| Buildings                           | 2,501,793,169    |               |                 | 2,309,955,172    |
| Machinery and equipment             | 7,154,862,895    |               |                 | 5,662,837,726    |
| Motor vehicles and others           | 96,578,892       |               |                 | 57,790,321       |
| Total provision for impairment loss | 334,804,253      | 7,718,170     | (291,876,887)   | 50,645,536       |
| Buildings                           | -                | -             | -               | -                |
| Machinery and equipment             | 334,776,293      | 7,718,170     | (291,848,927)   | 50,645,536       |
| Motor vehicles and others           | 27,960           | -             | (27,960)        | -                |
| Net book value                      | 9,418,430,703    |               |                 | 7,979,937,683    |
| Buildings                           | 2,501,793,169    |               |                 | 2,309,955,172    |
| Machinery and equipment             | 6,820,086,602    |               |                 | 5,612,192,190    |
| Motor vehicles and others           | 96,550,932       |               |                 | 57,790,321       |

The depreciation charged in 2013 was RMB 666,726,289 (2012, RMB : 598,949,960). The amount charged into cost of sale, selling expense and administrative expense was RMB 603,902,520, RMB 1,626,728 and RMB 61,197,041 (2012:RMB 538,313,364, RMB 1,576,652 and RMB 59,059,944) respectively.

The original cost of property, plant, and equipment transferred from constructions in progress was RMB 1,253,997,624 (2012: RMB 1,774,189,974).

The decrease of property, plant, and equipment during the year was mainly attributable to the transfer of shares of Shenzhen CSG Display Technology Co., Ltd(Notes4(b)) and transfer from property, plant, and equipment to available for sale assets in Shenzhen CSG Float Glass Co., Ltd(Notes5(7)).

(a) Asset held for sale



As at 31 December 2013, the Group's assets held for sale are set out as follows:

|                           | Carrying amount | Estimated time of disposal |
|---------------------------|-----------------|----------------------------|
| Buildings                 | 197,923,118     | Year 2014                  |
| Machinery and equipment   | 513,966,139     | Year 2014                  |
| Motor vehicles and others | 2,972,524       | Year 2014                  |
|                           | 714,861,781     |                            |

(b) Property, plant, and equipment that does not obtain ownership certificate

As at 31 December 2013, Buildings Ownership Certificates for certain buildings of the Group with carrying amounts of approximately RMB1,071,562,332 (cost of RMB1,175,670,613) (2012: carrying amount of RMB 1,063,351,649, cost of RMB1,153,974,603) had not yet been obtained by the Group. Included were certain buildings with carrying amounts of RMB65,318,561 (cost of RMB69,109,024) (2012: carrying amount of RMB159,523,462, cost of RMB169,935,268) because the land ownership certificates of the lands on which these buildings located had not been obtained. The Company's directors consider that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and there will not be any significant adverse impact on the operations of the Group.

|           | Reason   | Estimated date of obtaining the ownership certificate |
|-----------|--|---|
| Buildings | Have submitted the required documents and are in the process of application, or the related land use right certificate pending | In the next two years.                                |

**(11) Construction in progress**

|   | 31 December 2013   |                      |                    | 31 December 2012   |                      |                    |
|---|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
|   | Book Value         | Impairment Provision | Net Book Value     | Book Value         | Impairment Provision | Net Book Value     |
| Yichang Polycrystalline silicon technical project               | 1,525,226,129      | (144,480,698)        | 1,380,745,431      | 1,191,245,332      | (124,667,107)        | 1,066,578,225      |
| Wujiang energy glass expansion project                          | 389,766,964        | -                    | 389,766,964        | 178,517,400        | -                    | 178,517,400        |
| Yichang ultrathin electronic glass project                      | 211,049,240        | -                    | 211,049,240        | -                  | -                    | -                  |
| Dongguan PV Tech 200MW PV-tech Battery Expansion project        | 198,993,042        | -                    | 198,993,042        | 8,097,560          | -                    | 8,097,560          |
| Dongguan Solar Glass Phase I and II improvement project         | 191,481,090        | -                    | 191,481,090        | -                  | -                    | -                  |
| Xianning energy-saving glass phase II project                   | 124,719,664        | -                    | 124,719,664        | -                  | -                    | -                  |
| Yichang 700MW silicon slice expansion project phase III         | 80,510,116         | -                    | 80,510,116         | 83,060,022         | -                    | 83,060,022         |
| Wujiang float glass project                                     | 58,282,399         | -                    | 58,282,399         | 37,532,194         | -                    | 37,532,194         |
| Qingyuan high-performance ultrathin electronic glass project    | 28,936,268         | -                    | 28,936,268         | 19,523,638         | -                    | 19,523,638         |
| LED sapphire substratum project                                 | 24,763,135         | -                    | 24,763,135         | -                  | -                    | -                  |
| Xianning energy-saving glass project                            | 14,152,761         | -                    | 14,152,761         | 157,053,302        | -                    | 157,053,302        |
| Xianning energy-saving, environmental friendly material project | 5,484,208          | -                    | 5,484,208          | 281,797,118        | -                    | 281,797,118        |
| Yichang CSG Silicon chips supplement project                    | -                  | -                    | -                  | 49,965,529         | -                    | 49,965,529         |
| Others  | 54,285,887         | (752,105)            | 53,533,782         | 54,446,053         | (1,845,410)          | 52,600,643         |
|   | <u>389,766,964</u> | <u>-</u>             | <u>389,766,964</u> | <u>178,517,400</u> | <u>-</u>             | <u>178,517,400</u> |

## (a) Movement of Significant Project

| Name of projects   | Budget          | 31 December<br>2012 | Current year<br>additions | Transfer to<br>fixed assets<br>during the<br>current year | Other<br>deductions | 31<br>December<br>2013 | provision for<br>impairment | Proportion<br>between<br>Engineering<br>input and<br>budget (i) | Amount of<br>accumulate<br>d interest<br>capitalised | Amount<br>of interest<br>capitalized<br>in 2013 | Capitalisation<br>rate for 2013 | Source of fund              |
|--|-----------------|---------------------|---------------------------|---|---------------------|------------------------|-----------------------------|---|--|---|---------------------------------|-----------------------------|
| Yichang Polycrystalline silicon technical project            | 1,780,525,000   | 1,066,578,225       | 517,298,279               | (58,650,375)  | -                   | 1,380,745,431          | (144,480,698)               | 86%   | 20,739,602   | 17,931,721                                      | 4.87%                           | Internal fund and bank loan |
| Wujiang energy glass expansion project                       | 500,000,000     | 178,517,400         | 211,408,332               | (158,768)   | -                   | 389,766,964            | -                           | 78%   | 4,282,851  | 2,648,752                                       | 5.00%                           | Internal fund and bank loan |
| Yichang ultrathin electronic glass project                   | 320,000,000     | -                   | 211,049,240               | -   | -                   | 211,049,240            | -                           | 66%   | 160,200  | 160,200   | 5.00%                           | Internal fund and bank loan |
| Dongguan PV Tech 200MW PV-tech Battery Expansion project     | 697,000,000     | 8,097,560           | 193,779,270               | (2,883,788)   | -                   | 198,993,042            | -                           | 93%   | 27,717,586   | 370,736   | 5.55%                           | Internal fund and bank loan |
| Dongguan Solar Glass Phase I and II improvement project      | 659,121,154     | 3,824,227           | 187,656,863               | -   | -                   | 191,481,090            | -                           | 10%   | -  | -   | -                               | Internal fund               |
| Xianning energy-saving glass phase II project                | 237,800,000     | -                   | 124,719,664               | -   | -                   | 124,719,664            | -                           | 54%   | 2,008,753  | 2,008,753                                       | 6.00%                           | Internal fund and bank loan |
| Shebnzhen Float Glass TCO project                            | 93,000,000      | 148,974             | 96,318,180                | (178,053)   | (96,289,101)        | -                      | -                           | -   | -  | -   | -                               | Internal fund               |
| Yichang 700MW silicon slice expansion project phase III      | [1,980,000,000] | 83,060,022          | (2,549,906)               | -   | -                   | 80,510,116             | -                           | 13%   | 10,538,599   | -   | -                               | Internal fund and bank loan |
| Wujiang float glass project                                  | 845,630,000     | 37,532,194          | 25,038,273                | (4,288,068)   | -                   | 58,282,399             | -                           | 96%   | 20,120,444   | -   | -                               | Internal fund and bank loan |
| Qingyuan high-performance ultrathin electronic glass project | 497,832,875     | 19,523,638          | 9,412,630                 | -   | -                   | 28,936,268             | -                           | 17%   | -  | -   | -                               | Internal fund               |
| LED sapphire substratum project                              | 35,000,000      | -                   | 24,763,135                | -   | -                   | 24,763,135             | -                           | 63%   | 597,941  | 597,941   | 4.87%                           | Internal fund and bank loan |

| Name of projects  | Budget      | 31 December          | Current year         | Transfer to            | Other               | 31 December          | provision for        | Proportion | Amount of          | Amount of         | Capitalisation | Source of fund              |
|---|-------------|----------------------|----------------------|------------------------|---------------------|----------------------|----------------------|------------|--------------------|-------------------|----------------|-----------------------------|
|   |             | 2012                 | additions            | during the             |                     | deductions           |                      | 2013       |                    |                   |                |                             |
|   |             |                      |                      | fixed assets           |                     |                      |                      | between    | accumulate         | capitalised       | rate for 2013  |                             |
|   |             |                      |                      | during the             |                     |                      |                      | input and  | d interest         | in 2013           |                |                             |
|   |             |                      |                      | current year           |                     |                      |                      | budget (i) | capitalised        |                   |                |                             |
| Xianning energy-saving glass project                            | 279,000,600 | 157,053,302          | 74,939,766           | (217,840,307)          | -                   | 14,152,761           | -                    | 97%        | 2,125,389          | 1,066,441         | 6.00%          | Internal fund and bank loan |
| Xianning energy-saving, environmental friendly material project | 599,340,000 | 281,797,118          | 236,406,868          | (512,719,778)          | -                   | 5,484,208            | -                    | 89%        | 10,852,098         | 6,675,474         | 6.00%          | Internal fund and bank loan |
| Yichang CSG Silicon chips supplement project                    | 93,000,000  | 1,306                | 86,116,799           | (86,118,105)           | -                   | -                    | -                    | 83%        | 888,068            | 888,068           | 5.00%          | Internal fund and bank loan |
| Hebei Float Glass Golden Sun project                            | 93,093,000  | -                    | 84,461,447           | (84,461,447)           | -                   | -                    | -                    | 91%        | 803,645            | 803,645           | 5.08%          | Internal fund and bank loan |
| Dongguan Architectural Glass Golden Sun project                 | 112,490,000 | -                    | 108,443,804          | (108,443,804)          | -                   | -                    | -                    | 96%        | 285,250            | 285,250           | 5.00%          | Internal fund and bank loan |
| Tianjin Architectural Glass Golden Sun project                  | 112,716,000 | -                    | 97,516,530           | (97,516,530)           | -                   | -                    | -                    | 75%        | 1,485,085          | 1,485,085         | 6.00%          | Internal fund and bank loan |
| Xianning CSG Golden Sun project                                 | -           | 98,591,665           | 36,432,823           | (80,738,601)           | -                   | 53,533,782           | (752,105)            | -          | 1,632,264          | 2,470,252         |                | Internal fund and bank loan |
|   |             | <u>1,934,725,631</u> | <u>2,323,211,997</u> | <u>(1,253,997,624)</u> | <u>(96,289,101)</u> | <u>2,762,418,100</u> | <u>(145,232,803)</u> |            | <u>104,237,775</u> | <u>37,392,318</u> |                |                             |

(i) The proportion of project expenditure incurred to the budget was determined by the accumulative expenditures incurred divided by the total budget. Some of the projects were transferred to property, plant, and equipment because the construction completed.

(ii) The deduction of Shenzhen Float Glass TCO project was attributable to the transfer from property, plant, and equipment to available for sale assets.

(iii) The budget and actual expenditures incurred for these kinds of projects include cost of acquiring land use rights. The balance of construction in progress does not include the costs of acquiring land-use right.

## (b) Provision for impairment of Construction in Progress

|   | 31 December<br>2012 | Addition   | 31 December<br>2013 | Reason for provision  |
|---|---------------------|------------|---------------------|---|
| Yichang polycrystalline silicon technical project | 126,512,517         | 18,720,286 | 145,232,803         | The equipment is obsolete. Provision is determined by the difference between carrying amount and estimated net selling price. |

## (c) Progress analysis of significant Construction in progress

|   |   |  |
|---|---|--|
| Yichang Polycrystalline silicon technical project               | 90%   | Physical progress of the construction work |
| Wujiang energy glass expansion project                          | 90%   | Physical progress of the construction work |
| Yichang ultrathin electronic glass project                      | 80%   | Physical progress of the construction work |
| Dongguan PV Tech 200MW PV-tech Battery Expansion project        | 95%   | Physical progress of the construction work |
| Dongguan Solar Glass Phase I and II improvement project         | 10%   | Physical progress of the construction work |
| Xianning energy-saving glass phase II project                   | 60%   | Physical progress of the construction work |
| Yichang 700MW silicon slice expansion project phase III         | 10%   | Physical progress of the construction work |
| Wujiang float glass project                                     | 95%   | Physical progress of the construction work |
| Qingyuan high-performance ultrathin electronic glass project    | 10%   | Physical progress of the construction work |
| LED sapphire substratum project                                 | 93%   | Physical progress of the construction work |
| Xianning energy-saving glass project                            | The main project has been completed, and supporting projects are still in construction. | Physical progress of the construction work |
| Xianning energy-saving, environmental friendly material project | The main project has been completed, and supporting projects are still in construction. | Physical progress of the construction work |

**(12) Intangible assets and Development expenditure**

Intangible assets:

|                          | 31 December<br>2012 | Additions   | Decrease      | 31 December<br>2013 |
|--------------------------|---------------------|-------------|---------------|---------------------|
| Total original cost      | 1,079,206,326       | 183,492,511 | (212,569,745) | 1,050,129,092       |
| Land use rights          | 954,672,907         | 174,951,196 | (198,875,656) | 930,748,447         |
| Patents                  | 102,022,588         | 2,954,326   | (11,070,000)  | 93,906,914          |
| Exploitation rights      | 4,456,536           | -           | -             | 4,456,536           |
| Others                   | 18,054,295          | 5,586,989   | (2,624,089)   | 21,017,195          |
| Accumulated amortisation | 138,254,451         | 33,603,131  | (68,268,498)  | 103,589,084         |
| Land use rights          | 102,103,830         | 22,709,666  | (57,831,208)  | 66,982,288          |
| Patents                  | 30,487,292          | 6,646,446   | (10,240,350)  | 26,893,388          |
| Exploitation rights      | 1,703,519           | 400,641     | -             | 2,104,160           |
| Others                   | 3,959,810           | 3,846,378   | (196,940)     | 7,609,248           |
| Total book value         | 940,951,875         |             |               | 946,540,008         |
| Land use rights          | 852,569,077         |             |               | 863,766,159         |
| Patents                  | 71,535,296          |             |               | 67,013,526          |
| Exploitation rights      | 2,753,017           |             |               | 2,352,376           |
| Others                   | 14,094,485          |             |               | 13,407,947          |
| Provision for impairment | 11,464,949          | 1,745,531   | -             | 13,210,480          |
| Land use rights          | -                   | -           | -             | -                   |
| Patents                  | 11,464,949          | 1,736,398   | -             | 13,201,347          |
| Exploitation rights      | -                   | -           | -             | -                   |
| Others                   | -                   | 9,133       | -             | 9,133               |
| Net book value           | 929,486,926         |             |               | 933,329,528         |
| Land use rights          | 852,569,077         |             |               | 863,766,159         |
| Patents                  | 60,070,347          |             |               | 53,812,179          |
| Exploitation rights      | 2,753,017           |             |               | 2,352,376           |
| Others                   | 14,094,485          |             |               | 13,398,814          |

In the year 2013, the amortisation amount is RMB33,603,131 (2012: RMB32,250,099)

As at 31 December 2013, ownership certificates of land use right ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB18,134,263 (Original cost: RMB18,273,829) had not yet been obtained by the Group (2012, net book value: RMB329,102,430, Original cost: RMB32,225,293). The Company's directors are of the view that there is no legal restriction for the Group to apply for and obtain the Land Ownership

Certificates and has no adverse effect on the Group's business operation. The company estimated that the land use right certificates could be obtained within two years.

The decrease of intangible assets during the year was mainly attributable to the transfer of shares of Shenzhen CSG Display Technology Co., Ltd(Notes 4(b)) and transfer from intangible assets to non-current assets held for sale in Shenzhen CSG Float Glass Co., Ltd(Notes 5(7)).

(a) Asset held for sale

As at 31 December 2013, the Group's non-current assets held for sale are set out as follows:

|                | Carrying amount   | Estimated time of disposal |
|----------------|-------------------|----------------------------|
| Land use right | 41,166,937        | Year 2014                  |
| Others         | 73,786            | Year 2014                  |
|                | <u>41,240,723</u> |                            |

(b) Research expenditure is analysed below:

|                         | 31 December<br>2012 | Current year<br>additions | Decrease                 |                                   | 31 December<br>2013 |
|-------------------------|---------------------|---------------------------|--------------------------|-----------------------------------|---------------------|
|                         |                     |                           | Recognised as<br>expense | Recognised as<br>intangible asset |                     |
| Development expenditure | <u>3,610,292</u>    | <u>22,841,613</u>         | <u>(11,734,519)</u>      | <u>(4,836,076)</u>                | <u>9,881,310</u>    |

In 2013, the total amount of research and development expenditures of the Group is RMB 190,986,572 (2012: RMB162,827,747), including RMB179,879,478 (2012: RMB148,329,637) recorded in income statement, RMB4,836,076 (2012: RMB41,576,152) was recognized as intangible assets. The development expenditures account for 12% of total research and development expenditures (2012: 37%). As at 31 December 2013, the intangible assets arised from internal research and development accounted for 6.61% of total of intangible assets (2012: 6.12%).

**(13) Goodwill**

|          | 31 December<br>2012 | Addition | Deduction | 31 December<br>2013 |
|----------|---------------------|----------|-----------|---------------------|
| Goodwill | <u>3,039,946</u>    | <u>-</u> | <u>-</u>  | <u>3,039,946</u>    |

(i) The goodwill was arised from purchasing the minority shareholder equity from Tianjin CSG Architectural Glass Co., Ltd in 2007.

The goodwill is allocated to Floating Glass and Archetectural Glass segment.

The directors of the company considered that the goodwill was not impaired at 31 December 2013.

The management determined the recoverable amount of goodwill based on estimation of present value of the future cash flows from the cash generating unit. The future cash flows are prepared basing on the 5 years cash flow forecast approved by management. The profit margin and growth rate used in the cash flows forecast are determined by management's historical experiences and expectation of future market development. The discount rate adopted was pre-tax rate and reflected the special risk related to the cash generating unit.

#### (14) Deferred income tax assets and liabilities

##### (a) Deferred income tax assets before offset

|                                     | 31 December 2013           |                           | 31 December 2012           |                           |
|-------------------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
|                                     | Deferred income tax assets | The temporary differences | Deferred income tax assets | The temporary differences |
| Provisions for impairment of assets | 66,928,812                 | 394,062,293               | 81,240,402                 | 489,901,898               |
| Tax loss                            | 82,067,509                 | 488,375,368               | 65,432,718                 | 307,944,445               |
| Government grant                    | 18,168,759                 | 74,376,594                | 14,616,115                 | 58,464,458                |
| Accrued expense                     | 2,746,933                  | 18,704,822                | 8,892,688                  | 48,776,994                |
| Accumulated depreciation            | 13,373,098                 | 55,638,307                | 5,389,297                  | 25,285,355                |
| Provisions                          | -                          | -                         | 109,031                    | 526,872                   |
|                                     | <u>183,285,111</u>         | <u>1,031,157,384</u>      | <u>175,680,251</u>         | <u>930,900,022</u>        |

##### (b) Deferred income tax liabilities before offset

|  | 31 December 2013                |                           | 31 December 2012                |                           |
|--|---------------------------------|---------------------------|---------------------------------|---------------------------|
|  | Deferred income tax liabilities | The temporary differences | Deferred income tax liabilities | The temporary differences |
| Accumulated depreciations  | 19,136,896                      | 90,877,625                | 12,665,765                      | 50,663,060                |
| Investment income  | 9,942,308                       | 42,016,274                | 9,942,308                       | 42,016,274                |
| Fair value change of available for sale financial asset (note 5(48)) | 12,967,738                      | 56,333,710                | 10,020,199                      | 43,529,169                |
| Withholding income tax(i)  | 10,749,040                      | 190,630,093               | 11,998,676                      | 188,784,958               |
|  | <u>52,795,982</u>               | <u>379,857,702</u>        | <u>44,626,948</u>               | <u>324,993,461</u>        |

(i) In accordance with CIT Laws, if the subsidiaries in Mainland China remit dividends, which realised after 1 January



2008, to those overseas subsidiaries within the Group, the overseas subsidiaries should pay the certain income tax for dividends received.

(c) The temporary differences and tax loss not recognised as deferred income tax assets are analysed below:

|                        | 31 December 2013  | 31 December 2012  |
|------------------------|-------------------|-------------------|
| Temporary differences  | -                 | 810,344           |
| Deductible tax loss(i) | 10,083,600        | 38,297,154        |
|                        | <u>10,083,600</u> | <u>39,107,498</u> |

(i) The deductible tax losses not recognised as deferred tax assets mainly represented the tax losses of the Company and some dominant subsidiaries. The management expected that it is not probable that taxable profit will be available in the future against which these deductible tax losses can be utilised, and accordingly, did not recognise the deferred tax assets.

(d) The tax losses for which no deferred tax assets were recognised will expire in the following years:

|           | 31 December 2013  | 31 December 2012  |
|-----------|-------------------|-------------------|
| Year 2013 | -                 | 8,451,064         |
| Year 2014 | -                 | 15,408            |
| Year 2015 | 1,239,309         | 1,239,309         |
| Year 2016 | 8,102,695         | 27,849,777        |
| Year 2017 | 741,596           | 741,596           |
|           | <u>10,083,600</u> | <u>38,297,154</u> |

(e) The amount of deferred income tax assets and deferred income tax liabilities offsetted is as follows:

|                                 | 31 December 2013  | 31 December 2012  |
|---------------------------------|-------------------|-------------------|
| Deferred income tax assets      | 18,497,953        | 12,580,247        |
| Deferred income tax liabilities | <u>18,497,953</u> | <u>12,580,247</u> |

Net deferred income tax assets and deferred income tax liabilities after offsetting:

|                                 | 31 December 2013                              |   | 31 December 2012                              |   |
|---------------------------------|---|---|---|---|
|                                 | Net deferred income tax assets or liabilities | Temporary differences and deductible tax loss | Net deferred income tax assets or liabilities | Temporary differences and deductible tax loss |
| Deferred income tax assets      | 164,787,158                                   | 945,930,458                                   | 163,100,004                                   | 880,579,034                                   |
| Deferred income tax liabilities | <u>34,298,029</u>                             | <u>294,630,776</u>                            | <u>32,046,701</u>                             | <u>274,672,473</u>                            |

**(15) Other non-current assets**

All other non-current assets are land premium.

**(16) Asset of impairment**

|                              | 31 December<br>2012 | Additions         | Deductions         |                           |                      | 31 December<br>2013 |
|------------------------------|---------------------|-------------------|--------------------|---------------------------|----------------------|---------------------|
|                              |                     |                   | Reverse            | Disposal of<br>subsidiary | Write-off            |                     |
| Provisions for bad debts     | 9,352,479           | 403,270           | (2,202,236)        | (2,237,034)               | (1,000,948)          | 4,315,531           |
| included: accounts           |                     |                   |                    |                           |                      |                     |
| receivables                  | 6,922,827           | 357,370           | (950,500)          | (2,183,012)               | (190,603)            | 3,956,082           |
| other receivables            | 2,429,652           | 45,900            | (1,251,736)        | (54,022)                  | (810,345)            | 359,449             |
| Provisions for impairment    |                     |                   |                    |                           |                      |                     |
| of inventories               | 28,487,543          | 2,575,770         | -                  | -                         | (26,928,285)         | 4,135,028           |
| Provisions for impairment    |                     |                   |                    |                           |                      |                     |
| of long-term investment      | 444,997             | -                 | -                  | -                         | (444,997)            | -                   |
| Provisions for impairment    |                     |                   |                    |                           |                      |                     |
| of fixed assets              | 334,804,253         | 7,718,170         | -                  | (18,422,468)              | (273,454,419)        | 50,645,536          |
| Provisions for constructions |                     |                   |                    |                           |                      |                     |
| in progress                  | 126,512,517         | 54,125,723        | -                  | -                         | (35,405,437)         | 145,232,803         |
| provision for impairment of  |                     |                   |                    |                           |                      |                     |
| intangible assets            | 11,464,949          | 1,745,531         | -                  | -                         | -                    | 13,210,480          |
|                              | <u>511,066,738</u>  | <u>66,568,464</u> | <u>(2,202,236)</u> | <u>(20,659,502)</u>       | <u>(337,234,086)</u> | <u>217,539,378</u>  |

**(17) Short-term borrowings****(a) Categorization of short-term borrowings**

|                               | 31 December 2013     | 31 December 2012     |
|-------------------------------|----------------------|----------------------|
| Guaranteed(i)                 | 139,743,800          | 804,372,858          |
| Unsecured                     | 185,000,000          | 183,676,713          |
| Short-term finance bonds (ii) | 1,100,000,000        | 700,000,000          |
|                               | <u>1,424,743,800</u> | <u>1,688,049,571</u> |

- (i) As at 31 December 2013, loans of certain subsidiaries of the Company amounting to RMB 139,743,800 (2012: RMB804,372,858) were guaranteed by the Company, of which the minority shareholders provided a back to back guarantee to the Company amounting to RMB13,577,007 (2012: RMB 17,795,000).

- (ii) Approved by file No. [2013]CP20 of Inter Bank Market Trading Association, the Company is entitled to issue short term financial bonds of RMB 1,100,000,000, which expires on 25 January 2015. The company has issued short term bonds of RMB1,100,000,000 on 7 March 2013, and has matured on 7 March 2014, with an annual interest rate of 4.26%.

As at 31 December 2013, the weighted average interest rate of short-term borrowings was 5.52% per annum (31 December 2012: 5.45%).

- (b) The following balances were dominated in foreign currency:

|     | 31 December 2013     |                  |                   | 31 December 2012     |                  |                    |
|-----|----------------------|------------------|-------------------|----------------------|------------------|--------------------|
|     | Original<br>currency | Exchange<br>rate | RMB<br>equivalent | Original<br>currency | Exchange<br>rate | RMB<br>equivalent  |
| USD | 8,643,003            | 6.0969           | 52,695,525        | 25,587,671           | 6.2855           | 160,831,306        |
| EUR | 4,458,601            | 8.4189           | 37,536,513        | 2,017,190            | 8.3176           | 16,778,180         |
|     |                      |                  | <u>90,232,038</u> |                      |                  | <u>177,609,486</u> |

#### (18) Notes payable

|                        | 31 December 2013 | 31 December 2012   |
|------------------------|------------------|--------------------|
| Trade acceptance notes | -                | 1,578,217          |
| Bank acceptance notes  | 4,429,188        | 181,908,999        |
|                        | <u>4,429,188</u> | <u>183,487,216</u> |

All notes payable are due within one year.

#### (19) Accounts payable

|                                      | 31 December 2013   | 31 December 2012     |
|--------------------------------------|--------------------|----------------------|
| Account payable for materials        | 451,221,943        | 464,599,516          |
| Account payable for constructions    | 183,742,269        | 345,740,308          |
| Account payable for equipment        | 269,562,625        | 232,354,809          |
| Account payable for freight expenses | 56,828,669         | 50,872,366           |
| Others                               | 20,260,943         | 26,436,976           |
|                                      | <u>981,616,449</u> | <u>1,120,003,975</u> |

- (a) The Group did not have any balances which were due to parties having 5% or above shareholdings in the Company.
- (b) As at 31 December 2013, the amount of accounts payable over 1 year is approximately RMB94,719,853 (2012:RMB 184,660,497), which mainly comprised of payables for construction contract. As the construction work has not passed the

final acceptance test yet, the balance was not yet settled.

(c) The following balances were dominated in foreign currency

|     | 31 December 2013     |                  |                   | 31 December 2012     |                  |                   |
|-----|----------------------|------------------|-------------------|----------------------|------------------|-------------------|
|     | Original<br>currency | Exchange<br>rate | RMB equivalent    | Original<br>currency | Exchange<br>rate | RMB equivalent    |
| USD | 2,155,204            | 6.0969           | 13,140,063        | 9,167,210            | 6.2855           | 57,620,498        |
| EUR | 2,837,747            | 8.4189           | 23,890,708        | 4,672,501            | 8.3176           | 38,863,994        |
| JPY | -                    | 0.0578           | -                 | 11,204,945           | 0.0730           | 817,961           |
| HKD | -                    | 0.7862           | -                 | 668,182              | 0.8109           | 541,829           |
| AUD | -                    | 5.4301           | -                 | 50,696               | 6.5363           | 331,364           |
|     |                      |                  | <u>37,030,771</u> |                      |                  | <u>98,175,646</u> |

## (20) Advances from customers

|                         | 31 December 2013   | 31 December 2012   |
|-------------------------|--------------------|--------------------|
| Advances from customers | <u>160,689,070</u> | <u>135,413,065</u> |

The Group did not have any balances which were due to parties having 5% or above voting rights in the Company.

The balances were substantively dominated in RMB and the aging was within 1 year.

## (21) Employee benefits payable

|  | 31 December 2012   | Additions            | Decrease             | 31 December 2013   |
|--|--------------------|----------------------|----------------------|--------------------|
| Wages and salaries, bonuses,<br>allowances and subsidies | 87,307,146         | 762,503,675          | (757,742,193)        | 92,068,628         |
| Social security contributions                            | 4,217              | 110,081,100          | (110,078,237)        | 7,080              |
| Included: Pension  | 3,294              | 83,943,406           | (83,941,579)         | 5,121              |
| Medical  | 606                | 17,175,725           | (17,175,035)         | 1,296              |
| Unemployment   | 185                | 5,256,593            | (5,256,411)          | 367                |
| Injury   | 66                 | 2,513,447            | (2,513,332)          | 181                |
| Maternity  | 66                 | 1,191,929            | (1,191,880)          | 115                |
| Housing funds  | 871,935            | 37,831,908           | (37,015,496)         | 1,688,347          |
| Labor union and employee<br>education funds              | 16,711,992         | 11,423,617           | (14,458,040)         | 13,677,569         |
| Termination benefit (i)                                  | -                  | 25,767,795           | (19,632,181)         | 6,135,614          |
| Management bonus (ii)                                    | -                  | 71,800,000           | (19,000,000)         | 52,800,000         |
|  | <u>104,895,290</u> | <u>1,019,408,095</u> | <u>(957,926,147)</u> | <u>166,377,238</u> |

- (i) Termination benefit is provided for compensation of the employee of Shenzhen CSG Float Glass Co., Ltd. and Display Glass for termination of employment contracts.
- (ii) Pursuant to the resolution in the 15th meeting of the third session board of directors of the Company on 28 January 2005, the board of directors adopted a management bonus scheme which is based on the annual return on net assets and the net profit for the year. During the year, management bonus 71,800,000 (2012: none) were accrued and charged to profit and loss.

As at 31 December 2013, there was no overdue payroll and welfare expense. The balances will be settled in 2014.

## (22) Taxes payable

|  | 31 December 2013   | 31 December 2012   |
|--|--------------------|--------------------|
| Corporate income tax payable           | 103,256,466        | 73,925,573         |
| Value-added-tax payable                | 29,120,147         | 32,104,759         |
| Property tax payable                   | 12,493,565         | 9,451,647          |
| Urban maintenance and construction tax | 2,905,195          | 4,638,903          |
| Education surcharge                    | 4,201,672          | 5,298,651          |
| Others                                 | 8,777,658          | 9,225,838          |
|  | <u>160,754,703</u> | <u>134,645,371</u> |

## (23) Interest payable

|  | 31 December 2013  | 31 December 2012  |
|--|-------------------|-------------------|
| Interest payable for long-term borrowings  | 1,501,744         | 1,502,347         |
| Interest for corporate bonds (note 5(29))  | 21,205,379        | 21,205,379        |
| Interest payable for short-term borrowings | 1,398,983         | 6,166,634         |
| Interest payable for short-term bond       | 36,661,428        | 6,217,630         |
|  | <u>60,767,534</u> | <u>35,091,990</u> |

## (24) Dividends payable

As at 31 December 2013, the balance of the dividends payable represented those declared before the reform of shareholder structure of the Company but not yet able to pay to then shareholders.

**(25) Other payables**

|   | 31 December 2013   | 31 December 2012   |
|---|--------------------|--------------------|
| Advance received for dispose of a subsidiary(i)           | 450,000,000        | 21,800,000         |
| Guarantee deposits received from construction contractors | 65,810,543         | 80,677,823         |
| Accrued operating expense (ii)                            | 23,158,690         | 36,966,873         |
| Temporary receipts  | 6,144,727          | 15,286,242         |
| Individual income tax                                     | 2,597,520          | 3,334,820          |
| Payable for contracted labor costs                        | 8,000,696          | 7,660,655          |
| Others  | 1,418,407          | 242,742            |
|   | <u>557,130,583</u> | <u>165,969,155</u> |

- (i) Pursuant to the agreement entered into with JinShiDai Co.,Ltd, the Group will transfer 100% equity interests in Shenzhen CSG Float Glass to JinShiDai at total consideration of RMB450,000,000. The transaction was not completed on 31 December 2013.
- (ii) Accrued operating expenses represent expenses that have incurred but not yet invoiced, including utilities expenses, professional service charges, travel fees and etc.

The Groups did not have any balances which were due to parties holding 5% or above voting rights of the Company.

Most of the other payables are due within 1 year. The balances are substantively dominated in RMB.

**(26) Non-current liabilities due within 1 year**

|   | 31 December 2013   | 31 December 2012   |
|---|--------------------|--------------------|
| Long-term borrowing due within 1year                |                    |                    |
| - guaranteed(i)                                     | 106,074,515        | 123,480,256        |
| - credit  | 293,775,200        | 289,572,985        |
| other non-current liabilities due within 1 year(ii) | -                  | 68,634,600         |
|   | <u>399,849,715</u> | <u>481,687,841</u> |

- (i) The loans are guaranteed by the Company in favor of the subsidiaries, of which RMB 10,931,447 (2012: RMB13,325,664) were back to back guaranteed by the minority shareholders of the subsidiaries of the Company.
- (ii) It represents the loan from Yichang local financial department borrowed by Yichang CSG. It should only be used for the infrastructure construction. The loan is interest free and repayable on 20 December 2013. Total amount of the loan is RMB103,634,600. In 2012, Yichang CSG repaid loan of RMB35,000,000. In 2013, Yichang CSG repaid remaining balance of RMB68,634,600.

(a) The top 5 long-term borrowings due within 1 year:

|        | Beginning  |               |          |                                   | 31 December 2013              |            | 31 December 2012              |                    |
|--------|------------|---------------|----------|-----------------------------------|-------------------------------|------------|-------------------------------|--------------------|
|        | Date       | Maturity date | Currency | Interest rate (%)                 | Foreign<br>Currency<br>amount |            | Foreign<br>Currency<br>amount |                    |
|        |            |               |          |                                   | RMB                           |            | RMB                           |                    |
| Bank A | 2012-06-25 | 2014-06-01    | RMB      | 1-3 year export loan rate         | 100,000,000                   |            |                               | 100,000,000        |
| Bank B | 2010-03-01 | 2014-05-09    | RMB      | Benchmark interest rates fall 10% | 50,000,000                    |            |                               | 50,000,000         |
| Bank C | 2012-06-01 | 2014-06-01    | RMB      | 1-3 year export loan rate         | 30,000,000                    |            |                               | 30,000,000         |
| Bank D | 2011-05-26 | 2014-11-20    | USD      | 3 month LIBOR+3%                  | 3,750,000                     | 22,863,375 | 5,530,000                     | 34,749,513         |
| Bank E | 2009-01-05 | 2014-05-09    | RMB      | Benchmark interest rates fall 10% | 20,000,000                    |            |                               | 20,000,000         |
|        |            |               |          |                                   | <u>222,863,375</u>            |            |                               | <u>234,749,513</u> |

(b) The following balances of long-term borrowings due within 1 year are dominated in foreign currency:

|     | 31 December 2013     |                  |                   | 31 December 2012     |                  |                    |
|-----|----------------------|------------------|-------------------|----------------------|------------------|--------------------|
|     | Original<br>Currency | Exchange<br>rate | RMB<br>Equivalent | Original<br>Currency | Exchange<br>rate | RMB<br>Equivalent  |
| USD | 11,750,000           | 6.0969           | <u>71,638,575</u> | 46,666,465           | 6.2855           | <u>293,322,066</u> |

**(27) Other current liabilities**

|                     | 31 December<br>2012 | Current year<br>additions | Current year<br>reductions | 31 December<br>2013 |
|---------------------|---------------------|---------------------------|----------------------------|---------------------|
| Accrued liabilities |                     |                           |                            |                     |
| —Warranty           | 226,872             | -                         | (226,872)                  | -                   |
| —Others             | 300,000             | -                         | -                          | 300,000             |
|                     | <u>526,872</u>      | <u>-</u>                  | <u>(226,872)</u>           | <u>300,000</u>      |

**(28) Long-term borrowings**

|               | 31 December 2013   | 31 December 2012   |
|---------------|--------------------|--------------------|
| Credit        | -                  | 393,530,115        |
| Guarantee (i) | 302,904,204        | 317,582,846        |
|               | <u>302,904,204</u> | <u>711,112,961</u> |

(i) As at 31 December 2013, loans of certain subsidiaries of the Company were guaranteed by the Company, and the minority shareholders provided a back to back guarantee to the Company amounting to RMB 74,536,483 (2012: RMB 55,606,925). The interest should be paid monthly or quarterly. The principals will be repaid between March 2015 and May 2019.

(a) The top 5 long-term borrowings:

|        | Beginning date | Maturity date | Currency | Interest rate(%)                 | 31 December 2013        |                    | 31 December 2012        |          |
|--------|----------------|---------------|----------|----------------------------------|-------------------------|--------------------|-------------------------|----------|
|        |                |               |          |                                  | Foreign Currency amount | RMB                | Foreign currency amount | RMB      |
| BankD  | 2013-08-30     | 2016-08-29    | RMB      | Benchmark interest rates rise 2% | -                       | 47,000,000         | -                       | -        |
| BankE  | 2013-06-27     | 2017-06-26    | RMB      | Benchmark interest rates         | -                       | 30,000,000         | -                       | -        |
| BankE  | 2013-08-09     | 2017-08-08    | RMB      | Benchmark interest rates         | -                       | 30,000,000         | -                       | -        |
| BankE  | 2013-07-12     | 2017-07-11    | RMB      | Benchmark interest rates         | -                       | 30,000,000         | -                       | -        |
| Bank F | 2013-03-20     | 2016-03-19    | RMB      | Benchmark interest rates         | -                       | 20,000,000         | -                       | -        |
|        |                |               |          |                                  |                         | <u>157,000,000</u> |                         | <u>-</u> |

(b) The maturity of long-term borrowings is set out below :

|               | 31 December 2013   | 31 December 2012   |
|---------------|--------------------|--------------------|
| 1 to 2 years  | 91,633,420         | 488,530,115        |
| 2 to 5 years  | 205,000,000        | 187,833,333        |
| Above 5 years | 6,270,784          | 34,749,513         |
|               | <u>302,904,204</u> | <u>711,112,961</u> |

(c) The following balances were dominated in foreign currency.

|     | 31 December 2013  |               |                  | 31 December 2012  |               |                   |
|-----|-------------------|---------------|------------------|-------------------|---------------|-------------------|
|     | Original currency | Exchange rate | RMB equivalent   | Original currency | Exchange rate | RMB equivalent    |
| USD | 1,028,520         | 6.0969        | <u>6,270,784</u> | 11,658,520        | 6.2855        | <u>73,279,627</u> |



The weighted average interest rate of long-term borrowings was 5.76% per annum as at 31 December 2013 (2012: 5.70%).

## (29) Bonds Payable

|                 | 31 December<br>2012  | Addition         | Deduction | 31 December<br>2013  |
|-----------------|----------------------|------------------|-----------|----------------------|
| Corporate Bonds | <u>1,986,624,288</u> | <u>4,416,887</u> | <u>-</u>  | <u>1,991,041,175</u> |

Related information on bonds are as below:

|                 | Par value     | Issuing date    | Bond maturity | Issuing amount |
|-----------------|---------------|-----------------|---------------|----------------|
| Corporate Bonds | 1,000,000,000 | 20 October 2010 | 5 years       | 989,100,000    |
| Corporate Bonds | 1,000,000,000 | 20 October 2010 | 7 years       | 989,100,000    |

Accrued interest of bonds this year analysed below:

|                             | 31 December<br>2012 | Accrued interest   | Paid<br>interest     | 31 December<br>2013 |
|-----------------------------|---------------------|--------------------|----------------------|---------------------|
| Corporate bonds (note5(23)) | <u>21,205,379</u>   | <u>106,600,000</u> | <u>(106,600,000)</u> | <u>21,205,379</u>   |

According to the China Securities Regulatory Commission license [2010] No 1369 published by the China Securities Regulatory Commission, the Company issued the corporate bonds on 20 October 2010, with a par value of RMB2 billion. The Corporate Bonds include RMB1 billion that will mature in 5 years and another RMB1 billion that will mature in 7 years ("7 year Bonds"). The 7 year Bonds holders have a put option over the Company to repurchase at the end of the fifth year. The Corporate Bonds carried at fixed interest rate of 5.33% per year. The interests are paid annually, and the effective interest rate is 5.59%.

## (30) Other non-current liabilities

|                     | 31 December 2013 | 31 December 2012 |
|---------------------|------------------|------------------|
| Deferred income (a) | 432,364,880      | 287,373,063      |

(a) Deferred income related to governmental grants

| Government grants relating to assets                           | 31<br>December<br>2012 | Acquisition<br>of subsidiary | Additions          | Amount of<br>non-operating<br>income | Other<br>changes    | 31<br>December<br>2013 |
|--|------------------------|------------------------------|--------------------|--------------------------------------|---------------------|------------------------|
| Government grants relating to assets -                         |                        |                              |                    |                                      |                     |                        |
| Xianning CSG Golden Solar Project(i)                           | -                      | -                            | 60,610,000         | (505,083)                            | -                   | 60,104,917             |
| Tianjin CSG Architectural Glass CSG Golden Solar Project(ii)   | 23,280,000             | -                            | 23,280,000         | (194,000)                            | -                   | 46,366,000             |
| Dongguan CSG Architectural Glass CSG Golden Solar Project(iii) | -                      | -                            | 34,090,000         | (506,416)                            | -                   | 33,583,584             |
| Hebei CSG Glass Golden Solar Project(iv)                       | -                      | -                            | 31,810,000         | -                                    | -                   | 31,810,000             |
| Wujiang CSG Glass Co., Ltd(v)                                  | 56,972,745             | -                            | -                  | (2,781,515)                          | -                   | 54,191,230             |
| Yichang Photoelectric Glass products project (vi)              | -                      | -                            | 41,719,660         | -                                    | -                   | 41,719,660             |
| Yichang Silicon products project (vii)                         | 35,859,375             | -                            | -                  | (2,812,500)                          | -                   | 33,046,875             |
| Chengdu Float Cogeneration project(viii)                       | 18,745,560             | -                            | -                  | (1,654,020)                          | -                   | 17,091,540             |
| Yichang CSG crucible project(ix)                               | 9,148,872              | -                            | 3,700,000          | (1,005,002)                          | -                   | 11,843,870             |
| Group Coating Film experimental project(x)                     | 8,897,000              | -                            | 3,000,000          | (104,200)                            | -                   | 11,792,800             |
| Display flexibility touch screen project(xi)                   | 5,000,000              | -                            | -                  | -                                    | (5,000,000)         | -                      |
| Weiguang conducting filmtouch screen project(xi)               | 5,000,000              | -                            | -                  | -                                    | (5,000,000)         | -                      |
| Flat-panel display project(xii)                                | -                      | -                            | 51,188,500         | -                                    | (51,188,500)        | -                      |
| Optoelectronic information project (xii)                       | -                      | -                            | 2,000,000          | -                                    | (2,000,000)         | -                      |
| Others   | 25,837,111             | 1,656,000                    | 2,000,000          | (2,311,107)                          | -                   | 27,182,004             |
|  | <u>188,740,663</u>     | <u>1,656,000</u>             | <u>253,398,160</u> | <u>(11,873,843)</u>                  | <u>(63,188,500)</u> | <u>368,732,480</u>     |
| Government grants relating to income                           |                        |                              |                    |                                      |                     |                        |
| Xianning CSG Glass Co., Ltd(xiii)                              | 98,632,400             | -                            | -                  | (35,000,000)                         | -                   | 63,632,400             |
|  | <u>287,373,063</u>     | <u>1,656,000</u>             | <u>253,398,160</u> | <u>(46,873,843)</u>                  | <u>(63,188,500)</u> | <u>432,364,880</u>     |

- 
- (i) It was granted by Xianning local government for Golden Solar Project which was used for constructing photovoltaic power station and will be amortised and credited to income statement in 20 years. The photovoltaic power station's ownership is belong to Xianning CSG after it is completed.
- (ii) It was granted by Tianjin local government for Golden Solar Project which was used for constructing photovoltaic power station and will be amortised and credited to income statement in 20 years. The photovoltaic power station's ownership is belong to Tianjin CSG after it is completed.
- (iii) It was granted by Dongguan local government for Golden Solar Project which was used for constructing photovoltaic power station and will be amortised and credited to income statement in 20 years. The photovoltaic power station's ownership is belong to Dongguan CSG after it is completed.
- (iv) It was granted by Langfang local government for Golden Sun Project which was used for constructing photovoltaic power station and will be amortised and credited to income statement in 20 years. The photovoltaic power station's ownership is belong to Hebei CSG after it is completed.
- (v) It was granted by Wujiang local government for infrastructure construction and will be amortised and credited to income statement in 15 years, in accordance with the minimum operating period committed.
- (vi) It was granted by Yichang local government for Photoelectric glass project support fund and will be amortised and credited to income statement in 15 years, in accordance with the minimum operating period committed.
- (vii) The balance represented amounts granted to Yi Chang CSG Silicon Materials Co., Ltd. ("Yichang Silicon") by Yichang City Dongshan Development Corporation under the provisions of the investment contract signed between the Group and the Municipal Government of Yi Chang. The proceeds were designed for the construction of electricity transformer and the pipelines. Yichang Silicon is entitled to the ownership of the facilities and amortised by 15 years according to the useful life of the converting station.
- (viii) It represented the funds granted by Chengdu local government for energy glass project. It will be amortised and credited to income statement in 15 years, in accordance with the minimum operating period committed.
- (ix) It represented the government supporting fund obtained by Yichang CSG from the acquiring of the assets and liabilities of Crucible project of Yichang Hejing Photoelectric Ceramic Co., LTD. The proceeds will be amortized and credited to income statement after related assets put into use.
- (x) The allowance was granted by Shenzhen City Development and Reform Commission for the development of Group Coating Film experimental project. The grant will be amortised and credited to income statement in the estimated useful life of the relevant fixed assets.

- (xi) The allowance was granted by Shenzhen City Development and Reform Commission for the development of flat-panel display project. The reduction is due to the disposal of equity income in Shenzhen CSG Display Technology.
- (xii) The allowance was granted by Yichang management Commission for the development of flat-panel display project to Yichang CSG. The earnings plans to be amortized according to depreciation life of relevant assets after come into use. The reduction is due to the disposal of equity income in Shenzhen CSG Display Technology.
- (xiii) According to the document *Xian Kai Cai Fa [2013] No. 3* issued by the Center, the allowance was used to support the development of Xianning CSG during from the year 2012 to year 2015. In the year 2012, RMB 5 million was credited to income statement.

### (31) Share capital

|   | 31 December<br>2012  | Movement                      |                |                |                    |          | 31 December<br>2013  |
|---|----------------------|-------------------------------|----------------|----------------|--------------------|----------|----------------------|
|   |                      | New issues<br>during the year | Bonus<br>issue | Capitalisation | Others             | Subtotal |                      |
| Shares with restriction on disposals -    |                      |                               |                |                |                    |          |                      |
| Domestic person shares                    | 9,109,978            | -                             | -              | -              | 1,174,219          | -        | 10,284,197           |
| Shares without restriction on disposals - |                      |                               |                |                |                    |          |                      |
| PRC public shares                         | 1,303,641,590        | -                             | -              | -              | (1,174,219)        | -        | 1,302,467,371        |
| Domestically listed foreign shares        | 762,583,992          | -                             | -              | -              | -                  | -        | 762,583,992          |
|   | <u>2,066,225,582</u> | <u>-</u>                      | <u>-</u>       | <u>-</u>       | <u>(1,174,219)</u> | <u>-</u> | <u>2,065,051,363</u> |
|   | <u>2,075,335,560</u> | <u>-</u>                      | <u>-</u>       | <u>-</u>       | <u>-</u>           | <u>-</u> | <u>2,075,335,560</u> |

|   | 31 December<br>2011  | Movement                      |                |                |                   |                   | 31 December<br>2012  |
|---|----------------------|-------------------------------|----------------|----------------|-------------------|-------------------|----------------------|
|   |                      | New issues<br>during the year | Bonus<br>issue | Capitalisation | Others            | Subtotal          |                      |
| Domestically listed foreign shares -      |                      |                               |                |                |                   |                   |                      |
| Domestic person shares                    | 23,420,884           | -                             | -              | -              | (14,310,906)      | (14,310,906)      | 9,109,978            |
| Shares without restriction on disposals - |                      |                               |                |                |                   |                   |                      |
| PRC public shares                         | 1,289,832,184        | -                             | -              | -              | 13,809,406        | 13,809,406        | 1,303,641,590        |
| Domestically listed foreign shares        | 762,583,992          | -                             | -              | -              | -                 | -                 | 762,583,992          |
|   | <u>2,052,416,176</u> | <u>-</u>                      | <u>-</u>       | <u>-</u>       | <u>13,809,406</u> | <u>13,809,406</u> | <u>2,066,225,582</u> |
|   | <u>2,075,837,060</u> | <u>-</u>                      | <u>-</u>       | <u>-</u>       | <u>(501,500)</u>  | <u>(501,500)</u>  | <u>2,075,335,560</u> |

The nominal value of the Domestic is RMB1, and that of domestically listed foreign shares is HKD 1.

**(32) Capital reserve**

|  | 31 December 2012     | Current year<br>additions | Current year<br>reductions | 31 December 2013     |
|--|----------------------|---------------------------|----------------------------|----------------------|
| Capital premium  | 1,345,264,670        | -                         | -                          | 1,345,264,670        |
| Other reserve  | 35,767,318           | 10,334,900                | -                          | 46,102,218           |
| Change in fair value of<br>available-for-sale financial assets<br>(note5(48))                  | 33,508,970           | 9,857,002                 | -                          | 43,365,972           |
| Share of other equity movements<br>in investee (note 5 (9))                                    | -                    | 27,047                    | -                          | 27,047               |
| Share based payment (note 8)   | 1,958,570            | 450,851                   | -                          | 2,409,421            |
| Finance incentives for energy and<br>technical transformation                                  | 2,550,000            | -                         | -                          | 2,550,000            |
| Transfer from the balance of<br>capital surplus recognised under<br>previous accounting system | (2,250,222)          | -                         | -                          | (2,250,222)          |
|  | <u>1,381,031,988</u> | <u>10,334,900</u>         | <u>-</u>                   | <u>1,391,366,888</u> |

|  | 31 December 2011     | Current year<br>additions | Current year<br>reductions | 31 December 2012     |
|--|----------------------|---------------------------|----------------------------|----------------------|
| Capital premium  | 1,180,210,446        | 165,054,224               | -                          | 1,345,264,670        |
| Other reserve  | 200,783,959          | 7,062,598                 | (172,079,239)              | 35,767,318           |
| Change in fair value of<br>available-for-sale financial assets<br>(note5(48))                  | 39,619,191           | -                         | (6,110,221)                | 33,508,970           |
| Share based payment (note 8)   | 160,864,990          | 7,062,598                 | (165,969,018)              | 1,958,570            |
| Finance incentives for energy and<br>technical transformation                                  | 2,550,000            | -                         | -                          | 2,550,000            |
| Transfer from the balance of<br>capital surplus recognised under<br>previous accounting system | (2,250,222)          | -                         | -                          | (2,250,222)          |
|  | <u>1,380,994,405</u> | <u>172,116,822</u>        | <u>(172,079,239)</u>       | <u>1,381,031,988</u> |

**(33) Special Reserve**

|                        | 31 December<br>2012 | Addition         | Deduction          | 31 December<br>2013 |
|------------------------|---------------------|------------------|--------------------|---------------------|
| Safety production cost | <u>14,831,266</u>   | <u>3,195,497</u> | <u>(3,522,903)</u> | <u>14,503,860</u>   |

Yichang CSG is a high risk chemical production enterprise. Therefore, the Company appropriated such reserve in accordance with relevant regulations.

**(34) Surplus reserve**

|                               | 31 December<br>2012 | Current year<br>additions | Current year<br>reductions | 31 December<br>2013 |
|-------------------------------|---------------------|---------------------------|----------------------------|---------------------|
| Statutory surplus reserve     | 550,364,009         | 86,832,143                | -                          | 637,196,152         |
| Discretionary surplus reserve | 127,852,568         | -                         | -                          | 127,852,568         |
|                               | <u>678,216,577</u>  | <u>86,832,143</u>         | <u>-</u>                   | <u>765,048,720</u>  |

|                               | 31 December<br>2011 | Current year<br>additions | Current year<br>reductions | 31 December<br>2012 |
|-------------------------------|---------------------|---------------------------|----------------------------|---------------------|
| Statutory surplus reserve     | 472,082,529         | 78,281,480                | -                          | 550,364,009         |
| Discretionary surplus reserve | 127,852,568         | -                         | -                          | 127,852,568         |
|                               | <u>599,935,097</u>  | <u>78,281,480</u>         | <u>-</u>                   | <u>678,216,577</u>  |

According to the PRC Corporation Law and the regulation of the Company, the Company must accrue statutory surplus reserve at the amount of 10% of the net profit until when the accumulated statutory surplus reserve reached at least 50% of the capital. After the Company obtained the approval from shareholders' meeting, the statutory surplus reserve can be used to make up the loss, or to increase the capital. The Company accrued statutory surplus reserve at the amount of RMB 86,832,143, 10% of the net profit, in the year 2013. (2012: RMB78,281,480, accrued at 10% of the net profit).

The appropriation to discretion surplus reserve shall be proposed by the board of the directors of the Company and approved by the annual general meeting of the shareholders. The discretion can be utilized to offset the deficit or increase the share capital. The Company did not appropriate to discretion surplus reserve during the year .

**(35) Undistributed profit**

|   | 2013                 |                    | 2012                 |                    |
|---|----------------------|--------------------|----------------------|--------------------|
|   | Amount               | Appropriation rate | Amount               | Appropriation rate |
| Undistributed profit at the beginning                       | 2,665,777,580        |                    | 2,842,873,242        |                    |
| Add: net profits belonging to equity holders of the Company | 1,535,929,739        |                    | 274,746,219          |                    |
| Less: Appropriation of statutory surplus reserve            | (86,632,143)         | 10%                | (78,281,480)         | 10%                |
| Dividends payable   | (311,300,334)        | 40%                | (373,560,401)        | 40%                |
| Undistributed profit in the end                             | <u>3,803,574,842</u> |                    | <u>2,665,777,580</u> |                    |

Undistributed profit of the Group included the surplus reserve of the subsidiaries attributable to the Group amounting to RMB730,054,385 (31 December 2012: RMB698,893,170), among which RMB 72,870,930 (31 December 2012: RMB86,599,678) was appropriated by the subsidiaries and attributable to the Group in the year 2013. The surplus reserve amounting to RMB41,709,715(31 December 2012: none) was transferred out for the disposal of subsidiary.

Pursuant to the resolution of board of directors of the Company on 23 April, 2013, the Company paid dividend of RMB1.50(tax inclusive) for each 10 shares outstanding as at 31 December 2012, totaling 311,300,334.

**(36) Minority interests**

Minority interests are analysed as follows:

|   | 31 December 2013   | 31 December 2012   |
|---|--------------------|--------------------|
| Chengdu CSG Glass Co., Ltd.                 | 155,682,133        | 140,461,015        |
| Xianning CSG Glass Co., Ltd.                | 106,996,544        | 97,920,978         |
| Yichang CSG Silicon Co., Ltd.               | 54,151,066         | 57,830,568         |
| Yichang CSG Photoelectric Glass Co., Ltd.   | 34,425,556         | -                  |
| Yingde Hongsheng Silica Sand Mine. Co., Ltd | 1,763,144          | 1,744,771          |
| Shenzhen CSG Display Technology Co., Ltd.   | -                  | 153,953,779        |
| Others                                      | -                  | 72,896             |
|   | <u>353,018,443</u> | <u>451,984,007</u> |

**(37) Revenue and cost of sales**

|                                     | 2013                 | 2012                 |
|-------------------------------------|----------------------|----------------------|
| Revenue from main operations        | 7,663,179,548        | 6,938,999,253        |
| Revenue from other operations       | 70,616,566           | 55,358,776           |
|                                     | <u>7,733,796,114</u> | <u>6,994,358,029</u> |
|                                     |                      |                      |
|                                     | 2013                 | 2012                 |
| Cost of sales from main operations  | 5,470,796,940        | 5,314,364,378        |
| Cost of sales from other operations | 30,503,717           | 41,438,545           |
|                                     | <u>5,501,300,657</u> | <u>5,355,802,923</u> |

**(a) Revenue and cost of main operations.**

Revenue and cost of main operations analysed by product are set out below:

|                       | 2013                 |                      | 2012                 |                      |
|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                       | Revenue              | Cost                 | Revenue              | Cost                 |
| Float Glass           | 3,958,217,805        | 3,104,282,050        | 3,267,115,428        | 2,835,537,916        |
| Architectural glass   | 2,854,745,532        | 1,956,957,342        | 2,606,282,367        | 1,736,603,345        |
| ITO glass             | 794,643,237          | 481,426,660          | 913,176,044          | 571,781,267          |
| Solar panel and parts | 945,054,866          | 814,673,607          | 821,145,144          | 849,302,813          |
| Elimination           | (889,481,892)        | (886,542,719)        | (668,719,730)        | (678,860,963)        |
|                       | <u>7,663,179,548</u> | <u>5,470,796,940</u> | <u>6,938,999,253</u> | <u>5,314,364,378</u> |

Revenue and cost of main operations analysed by geographical location are set out below:

|  | 2013                 |                      | 2012                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Revenue              | Cost                 | Revenue              | Cost                 |
| Mainland                                 | 6,620,467,506        | 4,744,948,478        | 5,570,529,891        | 4,276,582,642        |
| Hong Kong                                | 293,460,515          | 167,150,258          | 421,363,444          | 253,057,291          |
| Europe                                   | 302,596,199          | 246,359,207          | 554,904,401          | 502,502,220          |
| Asia (other than Mainland and Hong Kong) | 277,198,638          | 195,707,502          | 215,348,104          | 156,861,960          |
| North America                            | 55,770,796           | 39,972,044           | 74,377,968           | 56,734,061           |
| Australia                                | 93,580,675           | 59,827,480           | 86,295,529           | 55,953,238           |
| Other regions                            | 20,105,219           | 16,831,971           | 16,179,916           | 12,672,966           |
|  | <u>7,663,179,548</u> | <u>5,470,796,940</u> | <u>6,938,999,253</u> | <u>5,314,364,378</u> |

(b) Other revenue and cost

|                       | 2013              |                   | 2012              |                   |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
|                       | Revenue           | Cost              | Revenue           | Cost              |
| Sale of raw materials | 50,353,649        | 21,622,360        | 38,971,862        | 35,692,801        |
| Others                | 20,262,917        | 8,881,357         | 16,386,914        | 5,745,744         |
|                       | <u>70,616,566</u> | <u>30,503,717</u> | <u>55,358,776</u> | <u>41,438,545</u> |

(c) The top 5 customers are analysed as follows:

The sales to the Group's top five customers were amounted to RMB1,046,478,319(2012: RMB 1,077,950,068), accounting for 14% of the Group's total sales (2012: 16%). Details are shown as follows:

|                    | Revenue              | % of the total revenue of the group |
|--------------------|----------------------|-------------------------------------|
| The largest        | 309,286,785          | 4%                                  |
| The second largest | 278,493,574          | 4%                                  |
| The third largest  | 163,756,087          | 2%                                  |
| The fourth largest | 152,379,163          | 2%                                  |
| The fifth largest  | 142,562,710          | 2%                                  |
|                    | <u>1,046,478,319</u> | <u>14%</u>                          |

**(38) Tax and surcharges**



|                                       | 2013              | 2012              |
|---------------------------------------|-------------------|-------------------|
| Business tax                          | 455,227           | 395,037           |
| City maintenance and construction tax | 24,521,529        | 24,282,102        |
| Educational surcharge                 | 21,823,359        | 20,894,421        |
| Others                                | 1,059,880         | 1,304,886         |
|                                       | <u>47,859,995</u> | <u>46,876,446</u> |

**(39) Selling Expenses**

|                           | 2013               | 2012               |
|---------------------------|--------------------|--------------------|
| Freight expenses          | 106,828,789        | 97,292,292         |
| Employee benefit expenses | 89,558,604         | 80,830,937         |
| Travelling expenses       | 13,271,862         | 11,071,804         |
| Entertainment expenses    | 11,276,621         | 8,538,643          |
| Others                    | 46,458,899         | 37,087,876         |
|                           | <u>267,394,775</u> | <u>234,821,552</u> |

**(40) Administrative expenses**

|                                   | 2013               | 2012               |
|-----------------------------------|--------------------|--------------------|
| Employee benefit expenses         | 236,610,572        | 124,641,905        |
| Research and development expenses | 179,879,478        | 148,329,637        |
| Taxation Expenses                 | 50,268,540         | 46,370,403         |
| Depreciation expenses             | 61,197,041         | 59,059,944         |
| Amortisation of intangible assets | 33,603,131         | 32,250,099         |
| Office expenses                   | 22,238,006         | 20,698,390         |
| Labor union expenditure           | 11,309,395         | 8,565,696          |
| Canteen costs                     | 10,872,951         | 11,986,904         |
| Rental expense                    | 7,297,589          | 7,232,214          |
| Entertainment expenses            | 6,406,463          | 6,189,423          |
| Travel expense                    | 6,293,313          | 7,731,711          |
| Water and electricity expense     | 14,771,713         | 12,935,384         |
| Carriage expense                  | 6,032,421          | 6,924,395          |
| Others                            | 24,540,647         | 33,993,433         |
|                                   | <u>671,321,260</u> | <u>526,909,538</u> |

**(41) Finance expenses**

|  | 2013               | 2012               |
|--|--------------------|--------------------|
| Loan interest                              | 270,041,796        | 279,617,806        |
| Less: Capitalized interest                 | (37,392,318)       | (44,196,423)       |
| Interest expenses                          | 232,649,478        | 235,421,383        |
| Amortization of corporate bond issue costs | 4,416,887          | 4,183,128          |
| Less: Interest income                      | (4,723,169)        | (8,539,721)        |
| Foreign exchange (gain)/loss               | (2,502,167)        | 3,802,869          |
| Others                                     | 8,480,673          | 14,052,395         |
|  | <u>238,321,702</u> | <u>248,920,054</u> |

**(42) Investment income**

|   | 2013               | 2012              |
|---|--------------------|-------------------|
| Dividend from holding available-for-sale financial assets     | 432,000            | 360,000           |
| Gain from disposal of long-term investment(note 4(4)(c))      | 926,639,137        | 71,306,374        |
| Gain from long-term investment under equity method(note 5(9)) | 305,002            | -                 |
|   | <u>927,376,139</u> | <u>71,666,374</u> |

There is no significant restriction on the remittance of investment income to the Group.

**(43) Impairment losses**

|  | 2013              | 2012               |
|--|-------------------|--------------------|
| Provision for bad debts                        | (1,798,966)       | 1,821,510          |
| Provision for inventories                      | 2,575,770         | 27,866,770         |
| Impairment losses for fixed assets             | 7,718,170         | 140,405,189        |
| Impairment losses for construction in progress | 54,125,723        | 124,667,107        |
| Impairment losses for intangible assets        | 1,745,531         | 11,464,949         |
|  | <u>64,366,228</u> | <u>306,225,525</u> |

**(44) Non-operating income**

|                                  | 2013               | 2012               | Amount<br>of non-recurring<br>gain and loss<br>included in 2013 |
|----------------------------------|--------------------|--------------------|---|
| Gain on disposal of fixed assets | 4,330,610          | 9,290,952          | 4,330,610   |
| Government grants (a)            | 115,138,161        | 89,424,440         | 115,138,161   |
| Default income(b)                | 6,317,040          | 5,500,000          | 6,317,040   |
| Insurance compensation(c)        | 72,000,000         | -                  | 72,000,000  |
| Compensation income              | 2,367,157          | 1,273,197          | 2,367,157   |
| Others                           | 16,534,546         | 10,085,949         | 16,534,546  |
|                                  | <u>216,687,514</u> | <u>115,574,538</u> | <u>216,687,514</u>  |

(a) Government grants is analysed below:

|   | 2013               | 2012              | Category                      |
|---|--------------------|-------------------|-------------------------------|
| Government grants amortization (note 5 (30))    | 46,873,843         | 19,524,198        | relating to assets and income |
| Industry supporting fund                        | 51,575,788         | 44,980,144        | relating to income            |
| Interest subsidies for technical transformation | 8,010,000          | 4,695,934         | relating to income            |
| Government awards fund                          | 3,353,990          | 5,388,000         | relating to income            |
| Energy saving subsidy                           | 1,000,000          | 1,900,000         | relating to income            |
| Subsidies for research and development          | 1,709,980          | 5,740,297         | relating to income            |
| Others  | 2,614,560          | 7,195,867         | relating to income            |
|   | <u>115,138,161</u> | <u>89,424,440</u> |                               |

(b) Default income

The default income is due to the delay payment of RMB 20,000,000 for transfer the equity interests in Guangzhou CSG. According to the equity transfer agreement, Guangzhou Bodi should compensate the Group for delay payment at 0.1% of total overdue balance per day.

(c) Insurance compensation

It represented the reimbursement by PICCP&C for the loss from a fire disaster. The insurance of RMB72,000,000 was received in January 2014.

**(45) Non-operating expenses**

|   | 2013               | 2012             | Amount<br>of non-recurring gain and loss<br>included in 2012 |
|---|--------------------|------------------|--|
| Loss on disposal of fixed assets<br>and intangible assets (i) | 140,789,846        | 2,088,853        | 140,789,846  |
| Loss on compensations   | 8,000,000          | 496,000          | 8,000,000  |
| Donation  | 160,000            | 210,937          | 160,000  |
| Others  | 3,166,417          | 674,217          | 3,166,417  |
|   | <u>152,116,263</u> | <u>3,470,007</u> | <u>152,116,263</u>   |

(i) It mainly included the loss from a fire disaster in Dongguan CSG PV Tech of RMB75,103,734, and the loss resulting from disposal of fixed assets of Dongguan CSG Solar Glass Co., Ltd.

**(46) Income tax expenses**

|  | 2013               | 2012              |
|--|--------------------|-------------------|
| Current income tax   | 267,507,522        | 182,792,297       |
| Income tax credit related to the purchase of energy<br>conservation and environmental protection equipment | -                  | (2,342,565)       |
| Deferred income tax  | (7,643,032)        | (91,683,592)      |
|  | <u>259,864,490</u> | <u>88,766,140</u> |

The reconciliation from income tax calculated based on applicable tax rate and total profit presented in the consolidated financial statements to the income tax expenses is shown as follows:

|  | 2013                 | 2012               |
|--|----------------------|--------------------|
| Total profit   | <u>1,935,178,887</u> | <u>458,572,896</u> |
| Income tax calculated at applicable tax rates  | 414,765,434          | 107,375,885        |
| Effect of change in tax rates  | -                    | (8,273,800)        |
| Expenses not deductible for tax purpose  | 8,170,361            | 7,157,923          |
| Non-taxable income   | (129,958,948)        | -                  |
| Utilization of previously unrecognized tax losses  | (38,723,365)         | (22,197,345)       |
| Tax loss for which no deferred income tax asset was<br>recognised                                      | -                    | 185,399            |
| Income tax credit related to purchase of energy conservation<br>and environmental protection equipment | -                    | (2,342,565)        |
| Withholding tax on subsidiaries' profit to be distributed  | 5,611,008            | 6,860,643          |
| Income tax expenses  | <u>259,864,490</u>   | <u>88,766,140</u>  |

**(47) Earnings per share**

## (a) Earnings per share - basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

|   | 2013          | 2012          |
|---|---------------|---------------|
| Consolidated profit attributable to equity holders of the Company | 1,535,929,739 | 274,746,219   |
| Weighted average number of ordinary shares in issue               | 2,075,335,560 | 2,075,405,685 |
| Basic earnings per share  | <u>0.74</u>   | <u>0.13</u>   |

Including:

|  |      |      |
|--|------|------|
| - Earnings per share for continuing operations             | 0.69 | 0.07 |
| - Earnings per share for discontinued operations (note 11) | 0.05 | 0.06 |

## (b) Earnings per share - diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company, which is adjusted according to potential dilutive shares, by the adjusted weighted average number of ordinary shares in issue during the year. The Company had no potential dilutive outstanding equity instruments issued as at 31 December 2013(2012: Nil), accordingly the diluted earnings per share equals basic earnings per share.

**(48) Other comprehensive income**

|  | 2013               | 2012               |
|--|--------------------|--------------------|
| (Losses)/Gain from available for sale financial assets                                       | 12,804,541         | (7,937,368)        |
| Less: effect of income tax resulted from available for sale financial assets (note 5(14)(b)) | (2,947,539)        | 1,827,147          |
| Subtotal   | <u>9,857,002</u>   | <u>(6,110,221)</u> |
| Difference on translation of foreign currency financial statements                           | (1,634,711)        | 128,755            |
| Less: net gain or loss from disposal of foreign subsidiary                                   | (1,318,802)        | -                  |
| Subtotal   | <u>(2,953,513)</u> | <u>128,755</u>     |
|  | <u>6,903,489</u>   | <u>(5,981,466)</u> |
| -  |                    |                    |
| - attributable to equity holders of the company  | 6,903,489          | (5,978,775)        |
| - attributable to minority interests   | -                  | (2,691)            |
|  | <u>6,903,489</u>   | <u>(5,981,466)</u> |

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| Gain/(Losses) from available for sale financial assets  | 12,804,541         | (7,937,368)        |
| Less: effect of income tax resulted from the variance of available<br>for sale financial assets (note 5(14)(b)) | (2,947,539)        | 1,827,147          |
| Subtotal  | <u>9,857,002</u>   | <u>(6,110,221)</u> |
| <br>  |                    |                    |
| The gain from disposal equity interests in subsidiary but not loss<br>of control(note4(4))                      | 357,449,689        | -                  |
| Less: recycle to profit and loss upon loss of control   | (357,449,689)      | -                  |
|   | <u>-</u>           | <u>-</u>           |
| <br>  |                    |                    |
| Difference of translating foreign currency financial statements   | (1,634,711)        | 128,755            |
| Less: recycle to profit and loss upon disposal of subsidiaries  | (1,318,802)        | -                  |
| Subtotal  | <u>(2,953,513)</u> | <u>128,755</u>     |
|   | <u>6,903,489</u>   | <u>(5,981,466)</u> |
| <br>  |                    |                    |
| - attributable to equity holders of the company   | 6,903,489          | (5,978,775)        |
| - attributable to minority interests  | -                  | (2,691)            |
|   | <u>6,903,489</u>   | <u>(5,981,466)</u> |

**(49) Notes to consolidated cash flow statements****(a) Cash received relating to other operating activities**

|                               | 2013              | 2012               |
|-------------------------------|-------------------|--------------------|
| Interest income               | 4,723,169         | 8,539,721          |
| Government grant              | 68,264,318        | 69,900,242         |
| Return of the pledged deposit | 7,283,211         | 29,923,425         |
| Others                        | 2,739,786         | 4,495,405          |
|                               | <u>83,010,484</u> | <u>112,858,793</u> |

**(b) Cash paid relating to other operating activities**

|                                   | 2013        | 2012        |
|-----------------------------------|-------------|-------------|
| Transportation expense            | 113,444,136 | 87,786,232  |
| Canteen cost                      | 40,258,218  | 37,383,327  |
| Office expenses                   | 33,039,420  | 36,193,613  |
| Travelling expenses               | 22,715,580  | 21,902,344  |
| Entertainment expenses            | 17,517,291  | 16,234,111  |
| Vehicle use fee                   | 16,356,356  | 11,917,674  |
| Bank fees                         | 7,007,653   | 14,052,395  |
| Consulting fee                    | 6,179,099   | 11,885,295  |
| Insurance fee                     | 6,056,319   | 7,051,269   |
| Research and development expenses | 19,125,674  | 8,559,581   |
| Maintenance expenses              | 16,498,724  | 14,639,048  |
| Others                            | 76,552,216  | 48,014,239  |
|                                   | 374,750,686 | 315,619,128 |

## (c) Cash received relating to other investing activities

|  | 2013        | 2012        |
|--|-------------|-------------|
| Consideration received for disposal of subsidiaries(i)               | 540,000,000 | 21,800,000  |
| Government grants received relating to assets                        | 253,398,160 | 70,965,814  |
| Return of the pledged deposit  | 82,885,853  | 55,466,895  |
| Trial production revenue from constructions in progress              | 11,229,265  | 80,952,145  |
| Default income related to disposal of a subsidiary<br>(note5(44)(b)) | 6,317,040   | 5,500,000   |
|  | 893,830,318 | 234,684,854 |

(i) Consideration received for disposal of subsidiaries of RMB540,000,000 includes the consideration transferred 100% equity interest in Shenzhen CSG Float Glass RMB450,000,000 (Note 5 (25) (i)) and Shenzhen CSG Display Technology transferred 100% equity interest in Shenzhen NanXian Technology RMB90,000,000.

## (d) Cash paid relating to other investing activities

|  | 2013               | 2012               |
|--|--------------------|--------------------|
| Deposit returned related to disposal of a subsidiary                       | 21,800,000         | -                  |
| Deposit paid   | 64,643,573         | 68,917,680         |
| Trial production expenditures from constructions in progress               | 43,889,940         | 82,790,230         |
| Prepayment on acquisition Yichang Hejing Photoconductive Ceramics Co., Ltd | -                  | 22,806,000         |
| Others   | -                  | 15,000,000         |
|  | <u>130,333,513</u> | <u>189,513,910</u> |

## (e) Cash received relating to other financing activities

|  | 2013               | 2012              |
|--|--------------------|-------------------|
| Cash received from related party (i)                                     | 436,613,233        | -                 |
| Return of deposits for issuing bank acceptance notes                     | 23,463,087         | -                 |
| Proceeds received from disposal partial equity interests in Xianning CSG | -                  | 36,000,000        |
|  | <u>460,076,320</u> | <u>36,000,000</u> |

(i) Cash received from related party is the receivable from Display Glass which had not been settled.

## (f) Cash paid relating to other financing activities

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| Repayment of interest-free loan to government (note 5(26)(ii)) | 68,634,600        | 35,000,000        |
| Payment of deposits for borrowings                             | 1,992,649         | 10,426,684        |
| Repurchase of Restrictive A Shares                             | -                 | 2,221,645         |
|  | <u>70,627,249</u> | <u>47,648,329</u> |



**(50) Supplement notes of cash flow statement****(a) Reconciliation from the net profit to the cash flows from operating activities**

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| Net profit  | 1,675,314,397        | 369,806,756          |
| Add: Provisions for assets impairment                             | 64,366,228           | 306,225,525          |
| Depreciation of fixed assets                                      | 666,726,289          | 598,949,960          |
| Amortisation of intangible assets                                 | 33,603,131           | 32,250,099           |
| Safety production costs   | 3,400,550            | 6,982,771            |
| Employee service cost relating to share based payment             | 692,644              | 7,355,372            |
| Losses/ (Gains) on disposal of fixed assets and intangible assets | 136,459,236          | (7,202,099)          |
| Insurance indemnity income  | (72,000,000)         | -                    |
| Finance expenses  | 237,066,365          | 239,344,532          |
| Investment income   | (927,376,139)        | (71,666,374)         |
| Increase in deferred tax assets                                   | (6,946,821)          | (81,723,155)         |
| (Decrease) in deferred tax liability                              | (696,211)            | (10,216,996)         |
| (Increase)/Decrease in inventories                                | (41,135,247)         | 88,773,044           |
| (Increase)/Decrease in operating receivables                      | (33,298,622)         | 244,810,457          |
| (Decrease)/Increase in operating payables                         | (37,308,265)         | 2,105,637            |
| Net cash flows from operating activities                          | <u>1,698,867,535</u> | <u>1,725,795,529</u> |

**(b) Net decrease in cash and cash equivalents**

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| Cash at the end of year                   | 276,450,868          | 447,736,536          |
| Less: cash at the beginning of year       | <u>(447,736,536)</u> | <u>(634,416,575)</u> |
| Net decrease in cash and cash equivalents | <u>(171,285,668)</u> | <u>(186,680,039)</u> |

**(c) Cash and cash equivalents**

|                                    | 31 December 2013   | 31 December 2012   |
|------------------------------------|--------------------|--------------------|
| Cash                               |                    |                    |
| - Cash on hand                     | 32,108             | 28,205             |
| - Cash at bank without restriction | 276,313,987        | 447,448,464        |
| - others without restriction       | 104,773            | 259,867            |
| Cash at end of year                | <u>276,450,868</u> | <u>447,736,536</u> |

## (d) Disposal of subsidiary

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| Consideration   | <u>426,413,663</u> | <u>661,894,246</u> |
| Cash received from disposal of subsidiary                                       | 426,413,663        | 495,988,346        |
| Less: cash held by subsidiary   | (144,986,958)      | (9,221,058)        |
| Add: advance received relating to dispose of subsidiary in 2011                 | -                  | 299,800,000        |
| Less: advance received relating to dispose of subsidiary in 2012<br>(Notes5(4)) | <u>20,000,000</u>  | <u>-</u>           |
| Net cash received from disposal of subsidiary                                   | <u>301,426,705</u> | <u>186,967,288</u> |

**6 Segment information**

The Group's reportable segments are business units engaged in providing different products. As each business unit has different technology and marketing strategies, the management evaluated the performance of each reportable segment independently to determine the allocation of the Group's resources.

There are four reportable segments in the Group, which are:

- Float Glass Segment, being engaged in the production and sales of float glass and production of silica sand which can be used to produce float glass.
- Architectural Glass Segment, being engaged in the production and sales of architectural Glass.
- Fine Glass Segment, being engaged in the production and sales of fine glass.
- Solar Energy Segment, being engaged in the production and sales of polycrystalline silicon chip, solar glass, and solar module.

The inter-segment transfer prices are determined by reference to the market price.

The assets are allocated according to the segment's business and its location. The liabilities are allocated according to the segment's business. The indirect costs are allocated to each segment according to the proportion of income.

In the year 2013, according to business development and requirement of management, the Float Glass and Architectural Glass Segment was separated into Float glass Segment and Architectural Glass Segment. The financial statement disclosure of the segment was changed correspondingly. Meanwhile, the segment information for the year 2012 had been restated.

(a) Segment information as at and for the year ended 31 December 2013 is as follows:

|  | Floating glass       | Architectural<br>Glass | Fine glass         | Solar energy         | Others           | Undistributed<br>profits | Elimination         | Total                 |
|--|----------------------|------------------------|--------------------|----------------------|------------------|--------------------------|---------------------|-----------------------|
| Revenue from external customers  | 3,125,692,198        | 2,835,070,154          | 829,199,049        | 943,093,634          | -                | 741,079                  | -                   | 7,733,796,114         |
| Inter-segment revenue  | 848,888,166          | 35,399,896             | 84,383             | 21,417,968           | -                | -                        | (905,790,413)       | -                     |
| Interest Income  | 1,029,406            | 880,616                | 272,744            | 279,329              | 520              | 2,260,554                | -                   | 4,723,169             |
| Interest expense   | (103,662,331)        | (29,136,604)           | (13,065,285)       | (43,858,285)         | -                | (42,926,973)             | -                   | (232,649,478)         |
| Investment income from associates and joint companies                      | -                    | -                      | -                  | -                    | -                | 305,002                  | -                   | 305,002               |
| Asset impairment (losses)/reversal   | (35,368,139)         | 51,572                 | (349,332)          | (29,481,478)         | -                | 781,149                  | -                   | (64,366,228)          |
| Depreciation and amortisation  | (341,076,904)        | (196,175,819)          | (64,613,506)       | (92,358,284)         | (558)            | (6,104,349)              | -                   | (700,329,420)         |
| Total profit/(Losses)  | 396,612,629          | 531,020,162            | 230,470,542        | (17,375,281)         | 880,742          | 808,740,657              | (15,170,564)        | 1,935,178,887         |
| Income tax expenses  | (99,327,432)         | (79,880,626)           | (32,596,858)       | (1,963,998)          | -                | (46,095,576)             | -                   | (259,864,490)         |
| Net profit/(losses)  | <u>297,285,197</u>   | <u>451,139,536</u>     | <u>197,873,684</u> | <u>(19,339,279)</u>  | <u>880,742</u>   | <u>762,645,081</u>       | <u>(15,170,564)</u> | <u>1,675,314,397</u>  |
| <br>   |                      |                        |                    |                      |                  |                          |                     |                       |
| Total assets   | <u>6,935,561,911</u> | <u>3,644,219,356</u>   | <u>-</u>           | <u>3,479,020,559</u> | <u>1,422,712</u> | <u>1,018,642,239</u>     | <u>-</u>            | <u>15,078,866,777</u> |
| <br>   |                      |                        |                    |                      |                  |                          |                     |                       |
| Total liabilities  | <u>1,298,439,341</u> | <u>821,941,047</u>     | <u>-</u>           | <u>577,424,988</u>   | <u>2,852,814</u> | <u>3,977,296,005</u>     | <u>-</u>            | <u>6,677,954,195</u>  |
| <br>   |                      |                        |                    |                      |                  |                          |                     |                       |
| Other non-cash expenses besides depreciation and amortization charges      | -                    | -                      | (692,644)          | -                    | -                | -                        | -                   | (692,644)             |
| <br>   |                      |                        |                    |                      |                  |                          |                     |                       |
| Long term equity investment on associates and joint ventures               | -                    | -                      | -                  | -                    | -                | 770,037,176              | -                   | 770,037,176           |
| <br>   |                      |                        |                    |                      |                  |                          |                     |                       |
| The increase in non-current assets other than long-term equity investments | <u>1,147,584,896</u> | <u>449,515,039</u>     | <u>296,772,401</u> | <u>465,204,405</u>   | <u>-</u>         | <u>18,285,912</u>        | <u>-</u>            | <u>2,377,362,653</u>  |

(b) Segment information as at and for the year ended 31 December 2012 is as follows:

|   | Floating glass       | Architectural<br>Glass | Fine glass           | Solar energy         | Others           | Undistributed<br>profits | Elimination      | Total                 |
|---|----------------------|------------------------|----------------------|----------------------|------------------|--------------------------|------------------|-----------------------|
| Revenue from external customers   | 2,622,251,060        | 2,621,145,354          | 926,008,392          | 823,511,170          | 184,200          | 1,257,853                | -                | 6,994,358,029         |
| Inter-segment revenue   | 658,231,113          | 10,350,686             | 107,068              | 33,314               | -                | -                        | (668,722,181)    | -                     |
| Interest Income   | 5,003,152            | 1,200,962              | 297,285              | 458,462              | 11,272           | 1,568,588                | -                | 8,539,721             |
| Interest expense  | (108,258,880)        | (31,931,109)           | (13,631,200)         | (52,125,069)         | -                | (29,475,125)             | -                | (235,421,383)         |
| Asset impairment (losses)/reversal  | (139,984,318)        | (1,453,868)            | 472,129              | (164,501,418)        | -                | (758,050)                | -                | (306,225,525)         |
| Depreciation and amortisation   | (281,195,692)        | (148,194,140)          | (69,016,965)         | (133,754,231)        | (958)            | (163,832)                | 1,125,759        | (631,200,059)         |
| Total profit/(Losses)   | (13,557,738)         | 518,380,767            | 261,916,360          | (338,644,062)        | 1,645,331        | 19,816,764               | 9,015,474        | 458,572,896           |
| Income tax expenses   | (8,376,865)          | (79,121,435)           | (40,136,044)         | 50,026,501           | -                | (11,158,297)             | -                | (88,766,140)          |
| Net profit/(losses)   | <u>(21,934,603)</u>  | <u>439,259,332</u>     | <u>221,780,316</u>   | <u>(288,617,561)</u> | <u>1,645,331</u> | <u>8,658,467</u>         | <u>9,015,474</u> | <u>369,806,756</u>    |
| <br>  |                      |                        |                      |                      |                  |                          |                  |                       |
| Total assets  | <u>6,535,317,318</u> | <u>3,317,968,899</u>   | <u>1,004,473,674</u> | <u>3,216,007,942</u> | <u>2,078,645</u> | <u>259,963,268</u>       | <u>-</u>         | <u>14,335,809,746</u> |
| <br>  |                      |                        |                      |                      |                  |                          |                  |                       |
| Total liabilities   | <u>1,737,699,928</u> | <u>1,141,795,336</u>   | <u>193,535,436</u>   | <u>1,047,433,757</u> | <u>4,475,211</u> | <u>2,942,675,318</u>     | <u>-</u>         | <u>7,067,614,986</u>  |
| <br>  |                      |                        |                      |                      |                  |                          |                  |                       |
| Other non-cash expenses besides<br>depreciation and amortization charges      | 1,662,600            | 1,972,395              | 33,894               | 660,832              | -                | 3,025,651                | -                | 7,355,372             |
| <br>  |                      |                        |                      |                      |                  |                          |                  |                       |
| The increase in non-current assets other than<br>long-term equity investments | <u>723,010,205</u>   | <u>197,753,637</u>     | <u>27,416,038</u>    | <u>327,510,899</u>   | <u>-</u>         | <u>4,877,625</u>         | <u>-</u>         | <u>1,280,568,404</u>  |

Revenue from external customers derived from both mainland and other countries or areas and the total of non-current assets other than financial instruments and deferred tax assets are analysed as below:

| Revenue from external customers         | 2013           | 2012           |
|---|----------------|----------------|
| Mainland                                | 6,690,537,041  | 5,625,888,667  |
| Hong Kong                               | 294,007,546    | 421,363,444    |
| Europe                                  | 302,596,199    | 554,904,401    |
| Asia(other than Mainland and Hong Kong) | 277,198,638    | 215,348,104    |
| Australia                               | 93,580,675     | 86,295,529     |
| North America                           | 55,770,796     | 74,377,968     |
| Other regions                           | 20,105,219     | 16,179,916     |
|   | 7,733,796,114  | 6,994,358,029  |
| <br>                                    |                |                |
| Non-current assets                      | 2013           | 2012           |
| Mainland                                | 12,455,585,431 | 12,329,686,153 |
| Hong Kong                               | 12,848,333     | 13,921,797     |
| Australia                               | -              | 258,087        |
|   | 12,468,433,764 | 12,343,866,037 |

No revenue from a single customer exceeded 10% or more of the Group's revenue.

## 7 Related party relationships and transactions

### (1) The parent company

The Company has no parent company.

### (2) The subsidiaries companies

The basic information of subsidiaries may be referred to Notes 4.

### (3) Associates

| Type of enterprise                       | Place of registration | Legal representative | Nature of the business | Registered capital<br>(in ten thousand) | Shareholding ratio | Proportion of votes | Organization code   |
|--|-----------------------|----------------------|------------------------|---|--------------------|---------------------|---------------------|
| Associate—                               |                       |                      |                        |   |                    |                     |                     |
| Display Glass                            | Joint Venture         | Shenzhen, the PRC    | Lu Wenhui              | Manufacturing                           | 14,300             | 44.70%              | 723033463           |
| China Southern Glass (Australia) Limited | Limited Company       | Australia            | Zhang Jie              | Trading                                 | AUD 50             | 49.00%              | A.C.N.06430<br>5639 |

The related party transactions with the associates above were sum up from the day when the group lost control of Display Glass and China Southern Glass (Australia) Limited (Note4(4)).

(4) Related party transactions

(a) The purchase and sale of goods, provide and receive services

The purchase and sale of goods, provide and receive services

| Related party                            | Related party transactions   | Pricing of related party transaction | 2013      |  | 2012   |  |
|--|------------------------------|--------------------------------------|-----------|--|--------|--|
|  |                              |                                      | Amount    | Proportion of similar transactions accounted | Amount | Proportion of similar transactions accounted |
| Display Glass                            | Sales of fine glass          | With reference to the market price   | 449,514   | 0.01%  | -      | -  |
| China Southern Glass (Australia) Limited | Sales of architectural glass | With reference to the market price   | 6,397,245 | 0.08%  | -      | -  |

(b) Guarantee

| The guarantor | The secured party | Type        | Currency | Amount      | Starting Date    | Due Date         | Fulfilled or not | Facilities drawn down<br>(i) |
|---------------|-------------------|-------------|----------|-------------|------------------|------------------|------------------|------------------------------|
| CSG Company   | Display Glass     | Bank credit | RMB      | 100,000,000 | July 20, 2012    | July 20, 2014    | No               | 30,000,000                   |
| CSG Company   | Display Glass     | Bank credit | RMB      | 24,387,600  | April 28, 2012   | April 28, 2017   | No               | -                            |
| CSG Company   | Display Glass     | Bank credit | RMB      | 36,581,400  | April 28, 2012   | April 28, 2017   | No               | -                            |
| CSG Company   | Display Glass     | Bank credit | RMB      | 200,000,000 | August 6, 2013   | August 6, 2014   | No               | 50,000,000                   |
| CSG Company   | Display Glass     | Bank credit | RMB      | 300,000,000 | October 22, 2013 | October 22, 2018 | No               | -                            |
| CSG Company   | Display Glass     | Bank credit | RMB      | 50,000,000  | October 22, 2013 | October 22, 2014 | No               | -                            |

(i) The drawn-down facilities occupied by Display Glass had been repaid in the year 2014. It would not occupy the facility any longer.

(c) Taking back of advance payment for related party

|               | 2013               | 2012     |
|---------------|--------------------|----------|
| Display Glass | <u>436,613,233</u> | <u>-</u> |

(d) Key management personnel payroll

|   | 2013             | 2012             |
|---|------------------|------------------|
| Payroll   | 6,688,500        | 5,440,903        |
| Employee service cost relating to share based payment for this year | <u>-</u>         | <u>2,388,411</u> |
|   | <u>6,688,500</u> | <u>7,829,314</u> |

(e) Related receivables balance

|                     |  | <u>31 December 2013</u> |                         | <u>31 December 2012</u> |                         |
|---------------------|--|-------------------------|-------------------------|-------------------------|-------------------------|
|                     |  | Amount                  | Provision for bad debts | Amount                  | Provision for bad debts |
| Accounts Receivable |  |                         |                         |                         |                         |
|                     | Display Glass                            | 544,391                 | -                       | -                       | -                       |
|                     | China Southern Glass (Australia) Limited | <u>3,653,741</u>        | <u>-</u>                | <u>-</u>                | <u>-</u>                |
|                     |  | <u>4,198,132</u>        | <u>-</u>                | <u>-</u>                | <u>-</u>                |
| Other Receivable    |  |                         |                         |                         |                         |
|                     | Display Glass                            | <u>20,491,742</u>       | <u>-</u>                | <u>-</u>                | <u>-</u>                |

(i) The other receivable is the corporate bonds allocated to Display Glass by the CSG company. The receivable has been settled in January 2014.

## 8 Share-based payment

The transfer of equity had been approved by the fifth Board of Directors, and the Company signed an agreement with Zhong Fu Sheng Entrepreneurship Investment Limited (hereinafter referred to as “Zhong Fu Sheng”) on 1 November, 2010 to transfer 9.55% equity interest in Display Glass held by the Company to Zhong Fu Sheng at the consideration of RMB16,300,000.

Zhong Fu Sheng Entrepreneurship is a limited partnership enterprise, which is set up by the directors, key management and core technical members of Display Glass on 25 October 2010. The purpose of the establishment of the firm is to hold the equity interest of Display Glass. There are 2 unlimited partners in the limited partnership enterprise, and the rest of the partners are all limited partners. The unlimited partners include one key management of the Company.

Transaction above has been considered as equity-settled share-based payment to the staff, with the fair market value of RMB 5,335,404, a price determined by the difference between the fair value of stock equity (evaluated by the professional asset evaluation firms) at the transaction date and the consideration at the date of transaction. The related cost which has been recognised this year was RMB692,644 (2011: RMB726,107).

## 9 Contingencies

There is no contingencies as at 31 December 2013.

## 10 Commitments

### (1) Commitments relating to capital expenditure

As the balance sheet date, commitments relating to capital expenditure that has signed but not recognised in the financial statement are analysed below:

|                               | 31 December 2013   | 31 December 2012   |
|-------------------------------|--------------------|--------------------|
| Property, plant and equipment | <u>589,482,656</u> | <u>525,561,856</u> |

### (2) Fulfillment of previous commitment

The commitment relating to capital expenditures at 31 December 2012 has been fulfilled.

## 11 Discontinued operations

As stated in Note (4) above, after the completion of disposal of 19% equity interests in Display Glass and the capital injection, the equity interests in Display Glass held by the Company reduced to 44.70%. The Company lost control over Display Glass and its subsidiaries thereafter.



On 16 July 2013, the Company signed an irrevocable transfer agreement with a third party - Truly Wealth Company, to transfer 51% equity interests held in China Southern Glass (Australia) Limited to the third party. The transaction has been completed on 13 December 2013 when the company lost control of China Southern Glass (Australia) Limited.

On 11 September 2013, the Company signed an irrevocable transfer agreement with a third party - Jinshidai Company, to transfer 100% equity interests held in Shenzhen CSG Float Glass Company Limited. The transaction is expected to be completed by 2014. As at 31 December 2013, the company has received RMB450,000,000 as part of the price for the consideration.

The operating results of the discontinued operations are shown as follows:

|   | 2013                   | 2012                   |
|---|------------------------|------------------------|
| Income from discontinued operations                     | 1,443,179,940          | 1,611,285,919          |
| Less: Cost and expenses from discontinued operations    | <u>(1,226,087,428)</u> | <u>(1,369,943,353)</u> |
| Profit before tax from discontinued operations          | 217,092,512            | 241,342,566            |
| Less: Income tax expense from discontinued operations   | <u>(31,024,434)</u>    | <u>(35,393,361)</u>    |
| Net profit from discontinued operations                 | <u>186,068,078</u>     | <u>205,949,205</u>     |
| Of which: Attributable to equity holders of the Company | <u>112,812,253</u>     | <u>133,928,642</u>     |

## 12 Events after the balance sheet date

### (a) Dividend distribution after the balance sheet date

|                                | Amount             |
|--------------------------------|--------------------|
| Dividend authorized to declare | <u>622,600,668</u> |

In accordance with the resolution at the Board of Directors' meeting on 22 March 2014, the Board of Directors proposed a dividend of RMB622,600,668 to be paid to the shareholders, which is not recorded as liability in the financial statements for the current year.

### (b) Issue of short term bonds

Approved by file No. [2014]CP11 of Inter Bank Market Trading Association, the Company issued short term bonds of RMB 500 million on 14 March 2014. The bonds will mature on March 14, 2015, with an annual interest rate of 5.65%.

## 13 Financial instrument and financial risks

The Group's activities were exposed to a variety of financial risks: market risk (mainly comprise of currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

- (1) Market risk
- (a) Currency risk

The Group mainly operates in the PRC, and most of the transactions are settled in RMB. However, overseas business are settled in foreign currency. Besides, the foreign currency assets, liabilities and overseas transactions are still exposed to currency risk. (Those foreign currency assets and liabilities are mainly calculated in USD and EUR). The Group monitors the scale of foreign currency transactions, foreign currency assets and liabilities, and adjust settlement currency of export business, to mostly reduce the currency risk.

As at 31 December 2013, financial assets and liabilities denominated in foreign currency held by the Group are shown as below:

|  | 31 December 2013   |                             |                    |
|--|--------------------|-----------------------------|--------------------|
|  | USD                | Other<br>foreign currencies | Total              |
| Foreign Financial assets -             |                    |                             |                    |
| Cash at bank and on hand               | 14,432,704         | 4,532,123                   | 18,964,827         |
| Receivables                            | 16,420,171         | 1,146,757                   | 17,566,928         |
|  | <u>30,852,875</u>  | <u>5,678,880</u>            | <u>36,531,755</u>  |
| Foreign Financial liabilities -        |                    |                             |                    |
| Short-term borrowings                  | 52,695,525         | 37,536,513                  | 90,232,038         |
| Payables                               | 13,140,063         | 23,890,708                  | 37,030,771         |
| Long-term borrowings                   | 6,270,784          | -                           | 6,270,784          |
| Long-term borrowings due within 1 year | 71,638,575         | -                           | 71,638,575         |
|  | <u>143,744,947</u> | <u>61,427,221</u>           | <u>205,172,168</u> |
| 31 December 2012                       |                    |                             |                    |
|  | USD                | Other<br>foreign currencies | Total              |
| Foreign Financial assets -             |                    |                             |                    |
| Cash at bank and on hand               | 32,845,653         | 18,236,989                  | 51,082,642         |
| Receivables                            | 80,820,417         | 9,505,102                   | 90,325,519         |
|  | <u>113,666,070</u> | <u>27,742,091</u>           | <u>141,408,161</u> |
| Foreign Financial liabilities -        |                    |                             |                    |
| Short-term borrowings                  | 160,831,306        | 16,778,180                  | 177,609,486        |
| Payables                               | 57,620,498         | 40,555,148                  | 98,175,646         |
| Long-term borrowings                   | 73,279,627         | -                           | 73,279,627         |
| Long-term borrowings due within 1 year | 293,322,066        | -                           | 293,322,066        |

|                    |                   |                    |
|--------------------|-------------------|--------------------|
| <u>585,053,497</u> | <u>57,333,328</u> | <u>642,386,825</u> |
|--------------------|-------------------|--------------------|

At 31 December 2013, should RMB had appreciated/depreciated by 10% against USD, with all other variables held constant, net profit for the year would have increased or decreased at RMB 9,595,826. (31 December, 2012: approximately RMB 37,573,400). For the changes of exchange rate in other foreign currency, the impact on the group's business activities is not significant.

(b) Interest rate risk

The Group's interest rate risk arises from the long-term interest-bearing debt such as long-term bank borrowings and Corporate Bonds. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of fixed interest rate debts and variable interest rate debts when the market environment changed. As at 31 December 2013, the Group's long-term interest-bearing debt at variable rates and fixed rates as illustrated below:

|                        | 31 December 2013     | 31 December 2012     |
|------------------------|----------------------|----------------------|
| Debt at fixed rates    | 1,991,041,175        | 1,986,624,288        |
| Debt at variable rates | <u>302,904,204</u>   | <u>711,112,961</u>   |
|                        | <u>2,293,945,379</u> | <u>2,697,737,249</u> |

The Group continued to monitor the Group's interest rates. Increase of interest rates will lead to increase of interest expenses and have significant adverse effects on the Group. Therefore, the management monitor the latest market situation and make timely adjustments, which includes increasing/decreasing long-term fixed rate debts at the anticipation of increasing/decreasing interest rate.

On 31 December 2013, if the floating interest rates had been 50 basis higher/lower with all other variables held constant, net profit for the year would have decreased or increased at RMB 1,287,342 (31 December, 2012: approximately RMB 2,162,987).

(2) Credit risk

Credit risk is managed on group basis. Credit risk arises from deposits in banks, notes receivable, accounts receivable and other receivables.

As the Group's bank deposits are mainly placed in the state-owned banks and other large and medium listed banks, the management believes that the credit risk should be limited and that no loss will occur due to event of default cause by those banks. Furthermore, as the Group's notes receivable are accepted by the state-owned banks and other large and medium listed banks, the management believe the credit risk should be limited.

Besides, the Group has set relevant policies to control the credit risk exposure for accounts receivable, other receivables and trade acceptance notes. The Group evaluates clients' credit aptitude and sets relevant credit periods based on client's financial position, possibility of guaranty from the third party, credit records and other factors like the current situation of the market. The Group supervises the clients' credit records at regular intervals. For the clients who have a rotten record,

the Group will send payment reminders in written, shorten or cancel the credit period, etc. to ensure the Group's entire credit risk is under control.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As stated in note (2) above, on December 31, 2013, the Group had net current liabilities of approximately RMB 1,600 million and committed capital expenditures of approximately RMB 589 million. Management will implement the following measures to manage the liquidation risk:

- (a) The Group will have steady cash inflows from operating activities;
- (b) The Group will pay the debts that mature and finance the construction projects through the existing bank facilities.
- (c) The Group will closely monitoring the payment of construction expenditure in terms of payment time and amount.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

|                                      | 31 December 2013     |                      |                    |                    | Total                |
|--------------------------------------|----------------------|----------------------|--------------------|--------------------|----------------------|
|                                      | Within 1 year        | 1 to 2 years         | 2 to 5 years       | Over 5 years       |                      |
| <b>Financial Assets</b>              |                      |                      |                    |                    |                      |
| Cash at bank and on hand             | 279,672,523          | -                    | -                  | -                  | 279,672,523          |
| Receivables                          | 569,686,196          | -                    | -                  | -                  | 569,686,196          |
| Financial assets available for sale  | -                    | -                    | -                  | 122,760,000        | 122,760,000          |
|                                      | <u>849,358,719</u>   | <u>-</u>             | <u>-</u>           | <u>122,760,000</u> | <u>972,118,719</u>   |
| <b>Financial liabilities -</b>       |                      |                      |                    |                    |                      |
| Short-term borrowings                | 1,442,478,875        | -                    | -                  | -                  | 1,442,478,875        |
| Payables                             | 1,604,631,381        | -                    | -                  | -                  | 1,604,631,381        |
| Long-term borrowing due within 1year | 410,672,685          | -                    | -                  | -                  | 410,672,685          |
| Long-term borrowing                  | 18,779,624           | 107,359,153          | 218,049,563        | 6,358,322          | 350,546,662          |
| Bonds payable                        | 106,600,000          | 2,106,600,000        | -                  | -                  | 2,213,200,000        |
|                                      | <u>3,583,162,565</u> | <u>2,213,959,153</u> | <u>218,049,563</u> | <u>6,358,322</u>   | <u>6,021,529,603</u> |

|                                      | 31 December 2012     |                    |                      |                    | Total                |
|--------------------------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
|                                      | Within 1 year        | 1 to 2 years       | 2 to 5 years         | Over 5 years       |                      |
| <b>Financial Assets</b>              |                      |                    |                      |                    |                      |
| Cash at bank and on hand             | 474,421,278          | -                  | -                    | -                  | 474,421,278          |
| Receivables                          | 639,666,193          | -                  | -                    | -                  | 639,666,193          |
| Financial assets available for sale  | -                    | -                  | -                    | 109,955,459        | 109,955,459          |
|                                      | <u>1,114,087,471</u> | <u>-</u>           | <u>-</u>             | <u>109,955,459</u> | <u>1,224,042,930</u> |
| <b>Financial liabilities -</b>       |                      |                    |                      |                    |                      |
| Short-term borrowings                | 1,743,434,433        | -                  | -                    | -                  | 1,743,434,433        |
| Payables                             | 1,505,239,963        | -                  | -                    | -                  | 1,505,239,963        |
| Long-term borrowing due within 1year | 487,343,086          | -                  | -                    | -                  | 487,343,086          |
| Long-term borrowing                  | 40,054,867           | 513,477,462        | 196,916,157          | 36,597,796         | 787,046,282          |
| Bonds payable                        | 106,600,000          | 106,600,000        | 2,106,600,000        | -                  | 2,319,800,000        |
|                                      | <u>3,882,672,349</u> | <u>620,077,462</u> | <u>2,303,516,157</u> | <u>36,597,796</u>  | <u>6,842,863,764</u> |

## (4) Fair value estimation

## (a) Financial instruments not measured at fair value

Other than the available-for-sale financial asset, the Group's financial assets and liabilities are not measured at fair value.

The carrying amount of the Group's financial assets and liabilities approximate their fair value except the financial liabilities as below:

|                                | 31 December 2013     |                      | 31 December 2012     |                      |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                | carrying amount      | fair value           | carrying amount      | fair value           |
| Interest-free government loans | -                    | -                    | 68,634,600           | 64,749,623           |
| Corporate Bonds(i)             | 1,991,041,175        | 1,985,000,000        | 1,986,624,288        | 1,993,800,000        |
|                                | <u>1,991,041,175</u> | <u>1,985,000,000</u> | <u>2,055,258,888</u> | <u>2,058,549,623</u> |

(i) The fair value of Corporate Bond traded in active markets is determined on quoted market prices at the balance sheet date.

## (b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy are divided into the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

As at 31 December 2013, the financial assets measured at fair value by the above three levels are analysed below:

|                                       | Level 1     | Level 2 | Level 3 | Total       |
|---------------------------------------|-------------|---------|---------|-------------|
| Financial assets held for trading-    |             |         |         |             |
| Available-for-sale equity instruments | 122,760,000 | -       | -       | 122,760,000 |

As at 31 December 2013, the available-for-sale equity instrument is the investment in Golden Glass(Note5(8)), the fair value is determined at the quoted price in the active market.

#### 14 Measurement of assets and liabilities at fair value.

|                                     | 31 December<br>2012 | Profits and<br>losses on the<br>changes<br>in fair value | Changes in fair<br>value<br>recognised in<br>the equity | Impairment<br>recognised in<br>current year | 31 December<br>2013 |
|-------------------------------------|---------------------|--|---|---|---------------------|
| Available-for-sale financial assets | 109,955,459         | -  | 56,333,710  | -   | 122,760,000         |

#### 15 Financial asset and liabilities dominated in foreign currency

|                                    | 31 December<br>2012 | Profits and<br>losses on the<br>changes<br>in fair value | Changes in fair<br>value<br>recognised in<br>the equity | Impairment<br>recognised in<br>current year | 31 December<br>2013 |
|------------------------------------|---------------------|--|---|---|---------------------|
| Financial assets                   |                     |  |   |   |                     |
| - Foreign currency and receivables | 141,408,161         | -  | -   | (1,455,171)                                 | 36,531,755          |
| Financial liabilities              |                     |  |   |   |                     |
| - borrowing and payables           | 642,386,825         | -  | -   | -   | 205,172,168         |

**16 Notes to the Company's financial statements****(1) Other receivables**

|  | 31 December 2013     | 31 December 2012     |
|--|----------------------|----------------------|
| Other receivables due by related parties | 3,082,033,658        | 1,738,009,011        |
| Equity transfer receivables              | -                    | 15,000,000           |
| Others                                   | 211,101              | 2,272,904            |
|  | <u>3,082,244,759</u> | <u>1,755,281,915</u> |
| Less: provision for bad debts            | (4,222)              | (1,595,716)          |
|  | <u>3,082,240,537</u> | <u>1,753,686,199</u> |

**(a) The aging of receivables is analysed below:**

|                  | 31 December 2013     | 31 December 2012     |
|------------------|----------------------|----------------------|
| Within 1 year    | 3,082,244,759        | 1,753,939,542        |
| 1 year to 2 year | -                    | 532,028              |
| Over 3 years     | -                    | 810,345              |
|                  | <u>3,082,244,759</u> | <u>1,755,281,915</u> |

**(b) Other receivables classified as below:**

|  | 31 December 2013     |                    |                         |                 | 31 December 2012     |                    |                         |                 |
|--|----------------------|--------------------|-------------------------|-----------------|----------------------|--------------------|-------------------------|-----------------|
|  | Carrying amount      |                    | Provision for bad debts |                 | Carrying amount      |                    | Provision for bad debts |                 |
|  | Amount               | % of total balance | Provision for bad debts | Provision ratio | Amount               | % of total balance | Provision for bad debts | Provision ratio |
| Individually significant and provided for bad debts separately     | -                    | -                  | -                       | -               | -                    | -                  | -                       | -               |
| Individually not significant but provided for bad debts separately | -                    | -                  | -                       | -               | 810,345              | 0%                 | (810,345)               | 100%            |
| Provision for bad debts on a portfolio                             |                      |                    |                         |                 |                      |                    |                         |                 |
| - Related parties  | 3,082,033,658        | 100%               | -                       | -               | 1,738,009,011        | 99%                | -                       | -               |
| - Non-related parties  | 211,101              | 0%                 | (4,222)                 | 2%              | 16,462,559           | 1%                 | (785,371)               | 5%              |
|  | <u>3,082,244,759</u> | <u>100%</u>        | <u>(4,222)</u>          | <u>0%</u>       | <u>1,755,281,915</u> | <u>100%</u>        | <u>(1,595,716)</u>      | <u>0.1%</u>     |

**(c) No other receivables are due by the shareholders have more than 5% (include 5%) of the company's shares.****(d) The top five of other receivables at 31 December 2013 are analysed as below:**

|                                    | Relationship with the |                      |                 |            |
|------------------------------------|-----------------------|----------------------|-----------------|------------|
|                                    | Group                 | Amount               | Aging           | Proportion |
| Yichang CSG Polysilicon Co., Ltd.  | Subsidiaries          | 1,096,901,550        | Within one year | 36%        |
| Wujiang CSG Glass Co. Ltd          | Subsidiaries          | 430,087,556          | Within one year | 14%        |
| Dongguan CSG Solar Glass Co., Ltd. | Subsidiaries          | 427,789,320          | Within one year | 14%        |
| Hebei CSG Glass Co. Ltd.           | Subsidiaries          | 189,261,722          | Within one year | 6%         |
| Xianning CSG Glass Co.Ltd          | Subsidiaries          | 179,845,299          | Within one year | 6%         |
|                                    |                       | <u>2,323,885,447</u> |                 | <u>76%</u> |

(e) Other receivable due by related parties are analysed as below:

| Related Party Name                        | Relationship with the company | 31 December 2013     |             |            | 31 December 2012     |             |             |
|---|-------------------------------|----------------------|-------------|------------|----------------------|-------------|-------------|
|   |                               | Amount               | Proportion  | Impairment | Amount               | Proportion  | Impairment  |
|   |                               |                      |             | provision  |                      |             | t provision |
| Yichang CSG Polysilicon Co., Ltd.         | Subsidiaries                  | 1,096,901,550        | 36%         | -          | 339,930,135          | 20%         | -           |
| Wujiang CSG Glass Co. Ltd                 | Subsidiaries                  | 430,087,556          | 14%         | -          | 314,590,342          | 18%         | -           |
| Dongguan CSG Solar Glass Co., Ltd.        | Subsidiaries                  | 427,789,320          | 14%         | -          | 206,538,547          | 12%         | -           |
| Hebei CSG Glass Co. Ltd.                  | Subsidiaries                  | 189,261,722          | 6%          | -          | 229,953,248          | 13%         | -           |
| Xianning CSG Glass Co.Ltd.                | Subsidiaries                  | 179,845,299          | 6%          | -          | -                    | 0%          | -           |
| Chengdu CSG Glass Co. Ltd.                | Subsidiaries                  | 167,589,914          | 5%          | -          | 238,371,792          | 14%         | -           |
| Jiangyou CSG Mining Development Co. Ltd   | Subsidiaries                  | 150,161,189          | 5%          | -          | 71,841,272           | 4%          | -           |
| Dongguan CSG Architectural glass          | Subsidiaries                  | 132,543,669          | 4%          | -          | 32,716,372           | 2%          | -           |
| Shenzhen CSG Display Technology Co., Ltd. | Associate Companies           | 20,491,742           | 1%          | -          | -                    | -           | -           |
| Others                                    | Subsidiaries                  | 287,361,697          | 9%          | -          | 304,067,303          | 17%         | -           |
|   |                               | <u>3,082,033,658</u> | <u>100%</u> | <u>-</u>   | <u>1,738,009,011</u> | <u>100%</u> | <u>-</u>    |

(2) Long-term equity investments

|   | 31 December 2013     | 31 December 2012     |
|---|----------------------|----------------------|
| Subsidiaries (Note (a))   | 4,705,853,218        | 4,722,508,822        |
| Associate Companies - no open market quotation(Note(b))               | 315,767,981          | -                    |
| Less: Impairment provision for investments in subsidiaries (Note (a)) | (55,000,000)         | (86,874,472)         |
|   | <u>4,966,621,199</u> | <u>4,635,634,350</u> |

The long-term investment of the Company are not subject to restriction on conversion into cash



## (a) Subsidiaries

|   | Accounting method | Initial investment cost | 31 December 2012     | Addition           | Deduction            | 31 December 2013     | Impairment provision | Impairment provision for this year | Cash dividend declared to distribution |
|---|-------------------|-------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|------------------------------------|--|
|   |                   |                         |                      |                    |                      | (i)                  |                      |                                    |  |
| Shenzhen CSG Float Glass Co. Ltd                    | Cost method       | 705,736,250             | 714,685,256          | -                  | -                    | 714,685,256          | -                    | -                                  | -                                      |
| Chengdu CSG Glass Co. Ltd.                          | Cost method       | 99,514,360              | 116,964,656          | -                  | -                    | 116,964,656          | -                    | -                                  | 120,312,354                            |
| Tianjin CSG Architectural Glass Co. Ltd             | Cost method       | 133,500,000             | 144,404,554          | -                  | -                    | 144,404,554          | -                    | -                                  | 27,399,807                             |
| Tianjin Energy Conservation Glass Co. Ltd           | Cost method       | 96,000,000              | 98,498,420           | -                  | -                    | 98,498,420           | -                    | -                                  | 58,374,264                             |
| Shenzhen CSG Display Technology Co. Ltd. (ii)       | Cost method       | 186,337,604             | 77,905,873           | 95,619,932         | (173,525,805)        | -                    | -                    | -                                  | 61,476,403                             |
| Dongguan CSG Architectural Glass Co. Ltd            | Cost method       | 180,000,000             | 193,618,971          | -                  | -                    | 193,618,971          | -                    | -                                  | 78,628,396                             |
| Dongguan CSG Solar Glass Co. Ltd                    | Cost method       | 278,753,465             | 288,401,145          | 12,000,000         | -                    | 300,401,145          | -                    | -                                  | -                                      |
| Yichang CSG Silicon Co. Ltd                         | Cost method       | 562,489,000             | 577,043,114          | -                  | -                    | 577,043,114          | -                    | -                                  | -                                      |
| Yichang CSG photoelectric Glass Co. Ltd             | Cost method       | 61,807,200              | -                    | 98,597,200         | -                    | 98,597,200           | -                    | -                                  | -                                      |
| Wujiang CSG North-east Architectural Glass Co. Ltd. | Cost method       | 240,000,000             | 251,313,658          | -                  | -                    | 251,313,658          | -                    | -                                  | 74,937,311                             |
| Dongguan CSG PV-tech Co. Ltd                        | Cost method       | 301,276,564             | 308,122,789          | -                  | -                    | 308,122,789          | -                    | -                                  | -                                      |
| Hebei CSG Glass Co. Ltd.                            | Cost method       | 253,354,574             | 261,998,368          | -                  | -                    | 261,998,368          | -                    | -                                  | 17,113,115                             |
| CSG (Hong Kong) Co. Ltd.                            | Cost method       | 81,664,761              | 85,742,211           | -                  | -                    | 85,742,211           | -                    | -                                  | -                                      |
| Wujiang CSG Glass Co. Ltd.                          | Cost method       | 461,011,271             | 462,179,564          | -                  | -                    | 462,179,564          | -                    | -                                  | 10,649,429                             |
| Hebei Shichuang Glass Co., Ltd.                     | Cost method       | 243,000,000             | 243,062,801          | -                  | -                    | 243,062,801          | -                    | -                                  | -                                      |
| CSG (Australia) Co., Ltd                            | Cost method       | 3,200,555               | 3,200,555            | -                  | (3,200,555)          | -                    | -                    | -                                  | 4,856,050                              |
| Jiangyou CSG Mining Development Co., Ltd            | Cost method       | 40,000,000              | 40,725,041           | -                  | -                    | 40,725,041           | -                    | -                                  | -                                      |
| Xianning CSG Co.,Ltd.                               | Cost method       | 300,000,000             | 300,823,394          | -                  | -                    | 300,823,394          | -                    | -                                  | -                                      |
| Qingyuan CSG Energy saving new material             | Cost method       | 300,000,000             | 300,185,609          | -                  | -                    | 300,185,609          | -                    | -                                  | -                                      |
| others(iii)   | Cost method       | 253,150,319             | 253,632,843          | -                  | (46,146,376)         | 207,486,467          | (55,000,000)         | -                                  | -                                      |
|   |                   | <u>4,780,795,923</u>    | <u>4,722,508,822</u> | <u>206,217,132</u> | <u>(222,872,736)</u> | <u>4,705,853,218</u> | <u>(55,000,000)</u>  | <u>-</u>                           | <u>453,747,129</u>                     |

(i) As at 31 December 2013, included in the investments in subsidiaries were deemed investment costs of RMB 112,679,926, the fair value of the equity instruments of the Company granted to the employee of the subsidiaries for their serviced provided to the subsidiaries for which the Company did not charge the subsidiaries. (2012: 126,016,750)

(ii) The company disposed part of the equity of Shenzhen CSG Display Technology Co. Ltd and CSG (Australia) Co., Ltd, so the effect on such companys turns from cotrol to significant influence.The accounting method turns from cost method to equity method.

- (iii) Others mainly includes subsidiaries of architectural segment, which located in Shenzhen but the production lines have moved to Dong guan. The operations of the subsidiaries have discontinued. The Company has made provision against the long term investment in these subsidiaries.

## (b) Associated enterprise

|   | Initial investment cost<br>(in RMB 10 thousand) | Movement    |             |                       |                                       |   |   |                       | 31 Dec 2013 |
|---|---|-------------|-------------|-----------------------|---------------------------------------|---|---|-----------------------|-------------|
|   |   | 31 Dec 2012 | Additon     | Additional Investment | Cash dividend announced to distribute | Net profit or loss adjustment by equity method<br>(Notes16(5)(b)) | Influence of Capital Increased by other shareholders<br>(Notes16(5)(c)) | Other Equity Movement |             |
| Shenzhen CSG Display Technology Co. Ltd | 18,633  | -           | 205,870,941 | 95,619,932            | (156,829,540)                         | 96,098,102  | 72,990,513  | 624,329               | 314,374,277 |
| CSG (Australia) Co., Ltd                | AUD24.5   | -           | 5,250,128   | -                     | (4,665,617)                           | 1,257,517   | -   | (448,324)             | 1,393,704   |
|   |   | -           | 211,121,069 | 95,619,932            | (161,495,157)                         | 97,355,619  | 72,990,513  | 176,005               | 315,767,981 |

|                          | Accounting Method | Shareholding ratio | Proportion of votes | Difference between Shareholding ratio and Proportion of votes |    | Provision for bad debt | Provision addition for impairment this year |
|--------------------------|-------------------|--------------------|---------------------|---|----|------------------------|---|
|                          |                   |                    |                     | and   | of |                        |   |
| Display Glass            | Equity Method     | 44.70%             | 44.70%              | NA  |    | -                      | -   |
| CSG (Australia) Co., Ltd | Equity Method     | 49.00%             | 49.00%              | NA  |    | -                      | -   |
|                          |                   |                    |                     |   |    | -                      | -   |

In the year 2013, the Group disposed part of the equity interests of Display Glass and CSG (Australia) Co., Ltd. The Group lost control of Display Glass and CSG (Australia) Co., Ltd. The entities became the associates of the Group. From 1 January 2013, the rest of equity investment is measured under the equity method. Meanwhile, the share of net profit or loss from the investment date to disposal date should be recycled to retained earnings. For the share of other movement of owner's equity during the period from the date of investment till the beginning of this year, it should be adjusted to capital reserved.

The adjustment of the year beginning equity is as follows:

|                       | 31 Dec 2012          | Adjustment         | 1 Jan 2013           |
|-----------------------|----------------------|--------------------|----------------------|
| Paid-in capital       | 2,075,335,560        | -                  | 2,075,335,560        |
| Capital surplus       | 1,418,767,193        | 8,132,135          | 1,426,899,328        |
| Surplus reserve       | 678,216,577          | 14,545,360         | 692,761,937          |
| Undistributed profits | 1,018,740,912        | 130,908,240        | 1,149,649,152        |
|                       | <u>5,191,060,242</u> | <u>153,585,735</u> | <u>5,344,645,977</u> |

## (3) Long term receivables

|  | 31 December 2013     | 31 December 2012     |
|--|----------------------|----------------------|
| Corporate bonds allocated to subsidiaries        | 1,571,900,000        | 1,779,250,000        |
| Substantive long-term investment in subsidiaries | 302,782,265          | 508,971,584          |
| Trust loan to subsidiaries                       | 120,000,000          | 140,000,000          |
|  | <u>1,994,682,265</u> | <u>2,428,221,584</u> |
| Less: impairment provision                       | <u>(40,936,482)</u>  | <u>(146,797,154)</u> |
|  | <u>1,953,745,783</u> | <u>2,281,424,431</u> |

|  | 31 December<br>2012  | Addition/<br>(Deduction) | 31 December<br>2013  | Addition of<br>Impairment | Deduction of<br>Impairment |
|--|----------------------|--------------------------|----------------------|---------------------------|----------------------------|
| Chengdu CSG Glass Co.<br>Ltd                         | 469,330,000          | -                        | 469,330,000          | -                         | -                          |
| Dongguan CSG PV-tech Co.<br>Ltd                      | 330,210,000          | 10,000,000               | 340,210,000          | -                         | -                          |
| Yichang CSG Silicon Co. Ltd                          | 244,960,000          | -                        | 244,960,000          | -                         | -                          |
| Dongguan CSG Architectural<br>Glass Co. Ltd.         | 219,670,000          | -                        | 219,670,000          | -                         | -                          |
| Shenzhen CSG Float Glass Co.<br>Ltd                  | 216,000,000          | -                        | 216,000,000          | -                         | -                          |
| Wujiang CSG Glass Co., Ltd.                          | 200,000,000          | -                        | 200,000,000          | -                         | -                          |
| Dongguan CSG Solar Glass<br>Co. Ltd                  | 147,560,000          | -                        | 147,560,000          | -                         | -                          |
| Wujiang CSG Huadong<br>Architectural Glass Co., Ltd. | 95,780,000           | (19,881,738)             | 75,898,262           | -                         | -                          |
| Others   | 504,711,585          | (423,657,582)            | 81,054,003           | (40,936,482)              | -                          |
|  | <u>2,428,221,585</u> | <u>(433,539,320)</u>     | <u>1,994,682,265</u> | <u>(40,936,482)</u>       | <u>-</u>                   |

The company recognises impairment provisions on the long term receivables based on the insolvency amount of the subsidiaries.

## (4) Other payables

|  | 31 December 2013   | 31 December 2012   |
|--|--------------------|--------------------|
| Subsidiaries                           | 378,952,280        | 813,388,215        |
| Equity transfer deposit (Note(25)(ii)) | 450,000,000        | 21,800,000         |
| Others                                 | 892,508            | 7,414,926          |
|  | <u>829,844,788</u> | <u>842,603,141</u> |

## (5) Investment income

|  | 2013                 | 2012               |
|--|----------------------|--------------------|
| Investment income from cost method (a)             | 453,747,129          | 704,243,103        |
| Investment income from equity method(b)            | 97,355,619           | -                  |
| Investment income on disposal of equity interest © | 475,884,759          | 110,299,416        |
| Dividends from available-for-sale financial assets | 331,344              | 276,120            |
|  | <u>1,027,318,851</u> | <u>814,818,639</u> |

Significant restrictions on repatriation of investment income do not exist.

## (a) Investment income from cost method

Investment incomes from top five investees or amounted to over 5% of total profit are analysed as below:

|   | 2013               | 2012               | Reason for the movement                                     |
|---|--------------------|--------------------|---|
| Chengdu CSG Glass Co. Ltd.                        | 120,312,354        | 134,151,975        | Profit decreased  |
| Dongguan CSG Architectural Glass Co., Ltd.        | 78,628,396         | 77,999,559         | Profit increased  |
| Wujiang CSG Huadong Architectural Glass Co., Ltd. | 74,937,311         | 64,548,623         | Profit increased  |
| Shenzhen CSG Display Technology Co. Ltd           | 61,476,403         | 163,949,736        | Accounting method changed from cost method to equity method |
| Tianjin Energy Conservation Glass Co. Ltd         | 58,374,264         | 94,175,425         | Profit decreased  |
|   | <u>393,728,728</u> | <u>534,825,318</u> |   |

## (b) Investment income from equity method

Investment incomes from top five investees or amounted to over 5% of total profit are analysed as below:

|                          | 2013              | 2012     | Reason for the movement                                     |
|--------------------------|-------------------|----------|---|
| Display Glass            | 96,098,102        | -        | Accounting method changed from cost method to equity method |
| CSG (Australia) Co., Ltd | 1,257,517         | -        | Accounting method changed from cost method to equity method |
|                          | <u>97,355,619</u> | <u>-</u> |   |

## (c) Investment income from transaction of equity interest

The investment income from transaction of equity interest mainly contains the income from the disposal of 19% of equity of Shenzhen CSG Display Technology Co. Ltd and the income from the disposal of 49% of equity of CSG (Australia) Co., Ltd. The total income is RMB 402,894,215.

The other part of the investment income derived from the injection of capital from other shareholders of Display Glass. The share of net asset the company entitled increased RMB 72,990,513, which means the investment income increase RMB 72,990,513.

## Step 1 Transfer of equity shares interest

|  | Total              | Shenzhen CSG<br>Display Technology<br>Co. Ltd | CSG (Australia) Co.,<br>Ltd |
|--|--------------------|---|-----------------------------|
| Disposal Price                         | 426,413,663        | 424,980,000                                   | 1,433,663                   |
| Initial cost movement                  | 67,041,508         | 63,840,953                                    | 3,200,555                   |
| Other equity movement                  | 13,881,411         | 13,881,411                                    | -                           |
| Total                                  | <u>80,922,919</u>  | <u>77,722,364</u>                             | <u>3,200,555</u>            |
| Shareholding ratio before the disposal |                    | 67.47%  | 100.00%                     |
| The equity ratio of disposal           |                    | 19.00%  | 51.00%                      |
| Investment cost                        | <u>23,519,417</u>  | <u>21,887,134</u>                             | <u>1,632,283</u>            |
| Investment income from disposal        | <u>402,894,246</u> | <u>403,092,866</u>                            | <u>(198,620)</u>            |

## Step 2 Capital Increase

## Display Glass

|   |         |                      |
|---|---------|----------------------|
| Net asset of the disposed company on disposal date                    |         | 703,536,544          |
| Shareholding after the capital injection                              |         | 44.70%               |
| The share of net assets in Display Glass after the capital injection  | A       | <u>314,480,835</u>   |
| The net asset of the disposed entity on disposal date                 |         | 703,536,544          |
| Less: Capital contributed by the company                              |         | (95,619,932)         |
| Capital contributed by other shareholder                              |         | <u>(306,966,767)</u> |
| Net asset of Display Glass before the capital injection               |         | 300,949,845          |
| The company's shareholding before capital injection                   |         | 48.47%               |
| The share of net assets in Display Glass before the capital injection | B       | <u>145,870,390</u>   |
| Less: Capital contributed by the company                              | C       | <u>(95,619,932)</u>  |
| The investment income from the disposal                               | D=A-B-C | <u>72,990,513</u>    |

(6) Notes to the Company's cash flow statements

(a) Reconciliation from the net profit to the cash flows from operating activities

|   | 2013                | 2012                |
|---|---------------------|---------------------|
| Net profit  | 868,321,430         | 782,814,809         |
| Add: Impairment of assets                                 | (781,149)           | 758,050             |
| Depreciation of fixed assets                              | 3,691,050           | 2,213,615           |
| Amortisation of intangible assets                         | 443,800             | 443,799             |
| Amortisation of long term prepaid expenses                | 204,516             | -                   |
| Losses on disposal of fixed assets and intangible assets  | 230,123             | 15,414              |
| Finance expenses  | 41,096,973          | 17,429,842          |
| Investment income   | (1,027,517,471)     | (814,818,639)       |
| Value of employee service relating to share based payment | -                   | 3,025,651           |
| Decrease in operating receivables                         | 2,427,790           | 4,188,142           |
| Decrease in operating payables                            | 64,731,509          | (50,633,197)        |
| Net cash flows from operating activities                  | <u>(47,151,429)</u> | <u>(54,562,514)</u> |

(b) Movement of the cash and cash equivalent

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| Cash at the end of the year             | 129,337,516          | 139,915,851          |
| Less: Cash at the beginning of the year | <u>(139,915,851)</u> | <u>(229,898,568)</u> |
| Net decrease in cash                    | <u>(10,578,335)</u>  | <u>(89,982,717)</u>  |

**CSG HOLDING CO., LTD.**  
**Supplemental information**

**1 Breakdown of non-recurring gains and losses**

|  | 2013                 | 2012                 |
|--|----------------------|----------------------|
| Gains and losses of disposal of non-current asset          | 136,459,236          | (7,202,099)          |
| Insurance indemnity  | (72,000,000)         | -                    |
| Government subsidy recognised as gains and losses          | (115,138,161)        | (89,424,440)         |
| Gain from disposal of available for sales financial assets | (432,000)            | (360,000)            |
| Net gains from disposal of the equity interest             | (926,639,137)        | (71,306,374)         |
| Other non-operating gains and losses                       | (13,892,326)         | (15,477,992)         |
|  | <u>(991,642,388)</u> | <u>(183,770,905)</u> |
| Effect of corporate income tax                             | 48,004,628           | 18,202,387           |
| Effect of minority interest (after tax)                    | 13,674,996           | 6,921,104            |
| Total non-recurring gains and losses                       | <u>(929,962,764)</u> | <u>(158,647,414)</u> |

(1) The basis of preparation of extraordinary gains and losses schedule

According to the Q&A on Disclosure of Information by Public Companies No1-Extraordinary gains and losses [2008], extraordinary gains and losses are resulted from transactions/events which are not incurred by the operation of the entity, or are incurred by the operation, but the amounts or the frequency of which will lead to a misleading presentation of the normal performance and profitability of the operation of the entity.

**2 Return on equity and earnings per share**

|  | Earnings per share       |       |                            |      |                             |      |
|--|--------------------------|-------|----------------------------|------|-----------------------------|------|
|  | Weighted average ROE (%) |       | Basic earning<br>per share |      | Dilute earning<br>per share |      |
|  | 2013                     | 2012  | 2013                       | 2012 | 2013                        | 2012 |
| Net profit attributable to common stock shareholders                                     | 20.52%                   | 4.04% | 0.74                       | 0.13 | 0.74                        | 0.13 |
| Net profit less Non-recurring gains and losses attributable to common stock shareholders | 8.10%                    | 1.71% | 0.29                       | 0.06 | 0.29                        | 0.06 |



### 3 Description of significant movement of the main financial statement data of the Group

The financial statement line items which fluctuate is more than 30%(including 30%) compared with last year, or account for 5% or more of total assets for balance sheet items, or 10% or more of total profit for income statement items are analysed as below:

Items of balance sheet:

|                               | 31 December 2013 | 31 December 2012 | Increase/(Decrease)<br>amount | Ratio | Notes |
|-------------------------------|------------------|------------------|-------------------------------|-------|-------|
| Cash at bank and on hand      | 279,672,523      | 474,421,278      | (194,748,755)                 | -41%  | (1)   |
| Accounts receivable           | 136,430,683      | 276,814,461      | (140,383,778)                 | -51%  | (2)   |
| Other receivables             | 109,366,023      | 63,047,384       | 46,318,639                    | 73%   | (3)   |
| Other current assets          | 1,021,464,095    | 167,499,349      | 853,964,746                   | 510%  | (4)   |
| Long-term equity investments  | 770,037,176      | -                | 770,037,176                   | 100%  | (5)   |
| Fixed assets                  | 7,979,937,683    | 9,418,430,703    | (1,438,493,020)               | -15%  | (6)   |
| Construction in progress      | 2,762,418,100    | 1,934,725,631    | 827,692,469                   | 43%   | (7)   |
| Development expenditure       | 9,881,310        | 3,610,292        | 6,271,018                     | 174%  | (8)   |
| Other non-current assets      | 6,510,000        | 51,858,632       | (45,348,632)                  | -87%  | (9)   |
| Short-term borrowings         | 1,424,743,800    | 1,688,049,571    | (263,305,771)                 | -16%  | (10)  |
| Notes payable                 | 4,429,188        | 183,487,216      | (179,058,028)                 | -98%  | (11)  |
| Employee benefits payable     | 166,377,238      | 104,895,290      | 61,481,948                    | 59%   | (12)  |
| Interest payable              | 60,767,534       | 35,091,990       | 25,675,544                    | 73%   | (13)  |
| Other payables                | 557,130,583      | 165,969,155      | 391,161,428                   | 236%  | (14)  |
| Other current liabilities     | 300,000          | 526,872          | (226,872)                     | -43%  | (15)  |
| Long-term borrowings          | 302,904,204      | 711,112,961      | (408,208,757)                 | -57%  | (16)  |
| Other non-current liabilities | 432,364,880      | 287,373,063      | 144,991,817                   | 50%   | (17)  |
| Undistributed profits         | 3,803,574,842    | 2,665,777,580    | 1,137,797,262                 | 43%   | (18)  |

#### Notes

- (1) The decrease of the cash at bank and on hand was mainly due to the disposition of Shenzhen Display Technology Co. Ltd , which changed the scope of consolidation.
- (2) The decrease of the accounts receivable was mainly due to the disposition of Shenzhen Display Technology Co. Ltd , which changed the scope of consolidation.
- (3) The increase of the other receivables was mainly due to the insurance indemnity which is caused by the fire accident of the Dongguan CSG PV tech co ,Ltd .

- (4) Other current assets increase because the group reclassified the non-current assets of Shenzhen CSG float glass Co, Ltd as non-current assets held for sale in current assets .
- (5) Long-term equity investments increases was mainly due to the company disposed part of the equity share interest of Shenzhen CSG Display Technology Co. Ltd. The company lost the control of Shenzhen CSG Display Technology Company ,the long-term equity investments accouting method turns from cost method to equity method.
- (6) The fixed asset decrease was mainly attributable to Shenzhen CSG floating glass turns fix asset to non-current assets held for sale.
- (7) Construction in progress increases was mainly attributable to the propulsion of projects such as Yichang polycrystalline silicon technical project , Wujiang energy glass expansion project and Yichang photoelectric project.
- (8) Development expenditure increases was mainly due to the company expand research activities.
- (9) Other non-current assets decreases was maily attributable to the settlement of accounts for the purchase of Yichang photoelectric company and other engineering prepayment.
- (10) Short-term borrowings decreases was mainly due to the disopation of Shenzhen Display Technology Co. Ltd , which changed the scope of consolidation.
- (11) Notes payable decreases was because the company changes the settlement way with suppliers.
- (12) Employee benefits payable increases was because the company take the provision for the management performance incentive funds this year.
- (13) Interest payable increases was mainly because the company issued the short-term financing bonds this year
- (14) Other payable increases was mainly attributable to the advanced payment for the equity transfer price of Shenzhen float glass company.
- (15) Other current liabilities decreases was mainly due to the reduce of contingencies.
- (16) Long-term borrowings decreases was mainly because the company reclassification part of long-term borrowings to current portion of non-current liabilities.
- (17) Other non-current liabilities increases was mainly because of the propulsion of CSG golden sun project.
- (18) Undistributed profits increases was mainly because the profit for this year increases.

## Income statement items:

|                            | 31 December 2013 | 31 December 2012 | Increase/(Decrease) amount | Ratio | Notes |
|----------------------------|------------------|------------------|----------------------------|-------|-------|
| Revenue                    | 7,733,796,114    | 6,994,358,029    | 739,438,085                | 11%   | (19)  |
| Asset impairment losses    | (64,366,228)     | (306,225,525)    | 241,859,297                | -79%  | (20)  |
| Investment income          | 927,376,139      | 71,666,374       | 855,709,765                | 1194% | (21)  |
| Non-operating income       | 216,687,514      | 115,574,538      | 101,112,976                | 87%   | (22)  |
| Non-operating expenses     | (152,116,263)    | (3,470,007)      | (148,646,256)              | 4284% | (23)  |
| Income tax expenses        | (259,864,490)    | (88,766,140)     | (171,098,350)              | 193%  | (24)  |
| Other comprehensive income | 6,903,489        | (5,981,466)      | 12,884,955                 | -215% | (25)  |

## Notes:

- (19) The increase in operating revenue this year was mainly due to the increase of unit selling price of some of the products compared to the last year, affected by the macro-economic environment.
- (20) Asset impairment loss increase because Group's subsidiaries accrued impairment provision on long-term assets last year and for this year such matters did not happen again.
- (21) The investment income increases was mainly due to the disposal of equity interest of Shenzhen Display Technology Co. Ltd and the value added through the assessment for the rest equity of Shenzhen Display Technology Company held by the company.
- (22) The increase of non-operating income was mainly due to government grant and insurance indemnity.
- (23) The increase of non-operating expenses was mainly attributable to the loss on disposal of non-current assets.
- (24) The increase of income tax expense was mainly due to the increase of profit before tax this year.
- (25) The increase of other comprehensive income was mainly attributable to the increase of market price of available for sale financial assets.

## Section XI. Documents available for Reference

- I. Text of the Annual Report carrying the legal representative's signature;
- II. Text of the financial report carrying the signatures and seals of the legal representative, C.F.O and person in charge of financial organization;
- III. Original of the Auditors' Report carrying the seal of PricewaterhouseCoopers Zhongtian LLP and the signatures and seals of the certified public accountants;
- IV. All texts of the Company's documents and original public notices disclosed in the website and papers appointed by CSRC in the report period.

**Board of Directors of  
CSG Holding Co., Ltd.  
25 March 2014**