

**CSG HOLDING CO., LTD.**

**ANNUAL REPORT 2016**



**Chairman of the Board:**  
**CHEN LIN**

**April 2017**

## To Shareholders

33 years ago, in Shekou, Shenzhen, the bridgehead of reform and opening up, China Southern Glass, a small glass enterprise with a big name was born. Eight years later, CSG Holding Co., Ltd. that has become the leader of domestic glass deep processing industry was listed on Shenzhen Stock Exchange and became one of the earliest companies listed on Shenzhen Stock Exchange. In the following 25 years, facing the trends of reform and opening up policy and with the rapid development of China's economy, CSG has developed into a large industrial group with total income of nearly RMB 9,000 million, total assets more than RMB 17,000 million, market value over RMB 20,000 million, about 12,000 employees, and four business sections including flat glass, architectural glass, solar energy PV and electronic glass and display. “SG” brand has developed from the No.1 energy-saving glass brand in China to a famous brand with important position and influence in the industries of glass, PV, display devices, etc. Under the efforts of all CSG staff, CSG has gradually become a star enterprise that makes all CSG staff be proud of, respected by the peers and recognized by the market.

However, it is more difficult to maintain a business than to start one, and it is the most difficult to always maintain the momentum of development, stick to the right path and make innovations and always hold the leading position in the industry! It is undeniable that CSG has accumulated lots of problems behind the achievement, especially in the last ten years years, facing the increasingly intensified competition pressure and ever-changing market environment. CSG does not make full preparation, the pace of progress slows down, more internal and external problems are exposed at the same time. We can't help asking what happens to our CSG?

The turmoil of corporate governance and resignation of former executives in the second half of last year pushed CSG to the cusp of public opinion. While CSG is being concerned and scanned by the whole society, CSG and all the staff are provided with an opportunity to review our time, environment, industry, market, loss and gain in self-examination of CSG. We believe that no enterprise can be plain sailing from being common to excellent and even great. Only the companies that have the courage to face problems, be good at solving problems, go through reviewing, self-criticism, revising and change again and again, can always maintain the vitality and dynamism of business development and keep going on and on! Hereby we would like to extend our gratitude

to investors, users and partners who have been supporting us all the time.

### **In 2016, Overcoming difficulties Makes the Enterprise Stronger**

During the past year, the global economic situation fluctuated, main economic entity lacked of power in economic recovery, and risk events occurred frequently. Anticipated interest increase of FED disturbed the market mood, Brexit event impacted on EU and even the global economy and the US election intensified the uncertainty of global economy. Under the background that global economy growth presented declaration and the uncertainty was increased, while deepening structural adjustment, industrial enterprises realized profit growth, the preliminary results of “Reducing Production Capacity” achieved, and China’s overall economy realized stable growth.

In 2016, although experiencing the fluctuation in the second half of the year, under the leadership of new board of directors and leading team, CSG strengthened in all aspects of flat glass, architectural glass, solar energy PV, electronic glass and display devices. The Company realized operating revenue of RMB 8,974 million, with a year-on-year increase of RMB 1,543 million or 20.77%. The net profit was RMB 804 million, with a year-on-year increase of RMB 256 million or 46.83%. And the net profit deducted with non-recurring profit and loss was RMB 777 million, with a year-on-year increase of RMB 477 million or 159.26%. The operating income and the net profit deducted with non-recurring profit and loss reached the best level in history.

Benefited from the national measures of adjustment of capacity structure, elimination of backward capacity and strengthening environmental protection control, the flat glass market warmed up. Taking this opportunity, CSG focused on adjusting product structure, implementing differential competition policy, strengthening internal control to further improve product competitiveness and then gained substantial increase in profit. Flat glass business realized revenue of RMB 4,047 million, with a year-on-year increase of RMB 602 million or 18%. The net profit was RMB 494 million with a year-on-year increase of RMB 413 million or 508 %.

In the situation of increasing investment in real estate, the sales volume of architectural glass further increased, architectural glass business realized annual business revenue of RMB 3,000 million, with a year-on-year increase of 2%. Although the Company tried to rise the profit level of some products through promoting differential product competition, improving product multiplicity and launching high-end new products, affected by the price rise of raw float glass and intensified downstream

competition, the sales price went down and the profit declined, with the net profit of RMB 261 million, a year-on-year decrease of RMB 139 million or 35%.

In the section of PV solar energy, the project of Yichang silicon material wafer phase III was put into operation which improved the capacity and reduced the cost. In 2016, the accumulated operating revenue of the Solar Energy division reached RMB 2,320 million, with a year-on-year increase of RMB 736 million or 46%. The annual net profit was RMB 220 million, with a year-on-year increase of RMB 138 million or 167%.

At the end of 2015, the Group established Shenzhen CSG PV Energy Co., Ltd. which invested to develop PV power station, and further improved solar energy industrial chain (silicon material-silicon wafer- solar cell - module -PV power station). By the end of 2016, four power station projects have been constructed in total scale of 57MW. The development of PV power station business will bring new income and profit growth point, and further improve the competitiveness of the Group in solar energy industry.

In the section of electronic glass and display, the Group further defined the product business positioning and technical route. Facing market opportunity, the Group gradually occupied mobile tempered coated glass market through continuous technical improvement and reform and quality improvement. At the same time, with the commercial operation of Qingyuan high aluminum ultra-thin glass production line and gradual improvement of product quality, the productivity and product line of the Group in the field of electronic glass will be further improved and enriched, and preliminarily set up national strategic layout.

However, it is not easy to achieve any performance. The sudden resignation of former executives of the Company made the Company directly face sudden vacuum of internal power without any preparation and sink in the difficulty of doubts from external financial institutions, customers and cooperators, and huge pressure from the public opinion. In this situation, if the new board and management team do not rapidly take decisive measure, stabilize the situation of the company, and re-establish the confidence of market, financial institutions and investors and inspire the colleagues of CSG, if the shareholders do not give a hand in the danger and provide great support and if the colleagues do not firmly stand on the side of CSG and make common efforts, the group will not get out of the disturbance and ebb and march towards a new round of development in such a complex

situation.

Rainbow always shows up after wind and rain. Under the leadership of the new board and executives, the Group reexamined after this event, actively explored scientific governance mode and decision-making mode, restriction and incentive mechanism suitable for the Company, established management principal based on the law, managing personnel with institution, managing affairs by procedure, and open, tolerant corporate culture, practiced “Merge together, Create together and Share together” enterprise development idea, and promoted the Group to constantly develop forward.

### **In 2017, Take the New Development Opportunity**

2017 is the 25<sup>th</sup> anniversary of the listing of CSG, and also the first year for CSG to re-start and create brilliance under the leadership of the new board and executives. CSG will ride on the momentum, constantly carry forward the idea of “Empty Talks Jeopardize National Interests, Solid Works Regenerate A State” proposed by the first chairman of the Board Yuan Geng, carry forward the spirit of Yuan Geng in “Solid Work and Innovation”, take the historic opportunity brought by China's reform of the supply front, the Belt and Road policy to us, and make efforts to bring the Company's development to a new step.

In the future, we will continue to deep plough the advantageous business of the Company as flat glass, architectural glass, solar energy PV and electronic glass and display through management improvement, market integration and acceleration of internationalization, realize leap-forward development of all business sections, so as to greatly improve the industrial position of all sections. At the same time, we will also constantly increase input in R&D, build up R&D talent team, improve R&D capacity, and maintain the technical innovation advantage of the Company in the industry.

At the beginning of the New Year, the Company has established new management team through global recruitment under the leadership of the board, the new management team of CSG represented by the new president Mr. Pan Yonghong has rich professional management experience, international view and more open management idea. Under the leadership of new management team, the Group will take the new development opportunity on the basis of deep ploughing main business, follow up the national policy of the Belt and Road, actively go global, and participate in international

competition. At the same time, through management improvement, industrial integration, the Group will constantly expand, make new business larger and stronger, and develop into a comprehensive industrial group.

On the Company's management, we will strengthen talent management, improve incentive mechanism, accept new things with an active attitude, hug new change, rapidly adapt and follow up the time. In the future, CSG will gradually grow into a vital enterprise with contract spirit, can constantly develop and have social value and outstanding character.

In the future, we will further create excellent corporate culture of CSG, merge existing excellent culture with advanced world culture in the new situation, and keep pace with the times. At the same time, management merger and development, resource merger and development will also march towards this direction, realize new development with big view and layout, and lead CSG to a more brilliant era.

Long, Long had been my road and far, far was the journey. We would go up and down to seek our heart's desire. In 2017, we have a long way to go.

Compared to the past, CSG today has more improved management and clearer objective. We will be down-to-earth and realize the objective of 2017 steadily. At the same time, we will also bring a brand new and stable and confident CSG to everybody. The length of future depends on the way we have travelled. The beauty of future depends on our cooperators. The development of CSG relies on the hard work of colleagues, tough leadership of the board and executives, selfless supports of the shareholders and full recognition from the cooperators. As long as we make concerted efforts and roll up our sleeves to work harder, we can make CSG never give up, always march forward and go on and on!

Finally, we would like to extend our gratitude again to every person who has helped and supported CSG.

Wish you all good health and happy life!

CSG Holding Co., Ltd.

Apr. 28, 2017

## Section I Important Notice, Content 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 facticity, accuracy and completeness of the whole contents.

Ms. Chen Lin, Chairman of the Board, Mr. Pan Yonghong, responsible person in charge of accounting and Ms. Wang Wenxin, principal of the financial department (accounting officer) confirm that the Financial Report enclosed in this 2016 Annual Report is true, accurate and complete.

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

This report involves futures plans and some other forward-looking statements, which shall not be considered as virtual promises to investors. Investors are kindly reminded to pay attention to possible risks.

Existing risk of staff loss, industry risk, market risk and exchange rate risk have been well-described in this report, please found details of the risk factors and countermeasures of future development described in Section IV Discussion and Analysis of the Management.

The deliberated and approved plan of profit distribution and capital reserve converted into share capital in the Board Meeting is distributing cash dividend of RMB 1.00 (tax included) for every 10 shares to all shareholders based on 2,075,335,560 shares of the total share capital while dividends will be distributed. Meanwhile the Company will transfer capital reserve into capital with 1.5 shares for every 10 shares to all shareholders based on 2,075,335,560 shares of the total share capital.

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.

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## Paraphrase

Items	Refers to	Contents
Company, the Company, SG or the Group	Refers to	CSG Holding Co., Ltd.
Foresea Life	Refers to	Foresea Life Insurance Co., Ltd.
Shenzhen Display	Refers to	ShenZhen Nanbo Display Technolog Co., Ltd.
Xinshi Investment	Refers to	Shenzhen Xinshi Investment Co., Ltd.
Ultra-thin electronic glass	Refers to	The electronic glass with thickness between 0.1~1.1mm
Second-generation energy-saving glass	Refers to	Double silver coated glass
Third-generation energy-saving glass	Refers to	Triple silver coated glass

## Section II Company Profile & Financial Highlights

### 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	Chen Lin		
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	Representative of security affairs
Name	Chen Lin (Chairman of the Board of Directors acting on behalf of the Secretary)	Ma Limei
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)755-26860685	(86)755-26860685
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	Securities Times, China Securities Journal, ShangHai Securities News 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

Organization code	Unified social credit code: 914403006188385775
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Changes of main business since listing (if applicable)	No changes
Previous changes for controlling shareholders (if applicable)	No changes

## V. Other relevant information

CPA firm engaged by the Company

Name of CPA firm	PricewaterhouseCoopers Zhong Tian LLP
Offices add. for CPA firm	11/F, PricewaterhouseCoopers Center., 202 Hubin Road. Shanghai, P.R.C.
Signing Accountants	Yao Wenping, Han Xu

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

☐ Applicable    ☒ Not applicable

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

☐ Applicable    ☒ Not applicable

## VI. 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

	2016	2015		Changes over last year (%)	2014	
		Before adjusted	After adjusted		Before adjusted	After adjusted
Operating income (RMB)	8,974,083,407	7,430,889,111	7,430,889,111	20.77%	7,044,502,645	7,044,502,645
Net profit attributable to shareholders of the listed company (RMB)	797,721,576	624,753,110	532,653,110	49.76%	873,653,030	791,353,030
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	776,950,973	299,683,946	299,683,946	159.27%	438,889,847	438,889,847
Net cash flow arising from operating activities (RMB)	2,240,852,120	1,092,832,497	1,092,832,497	105.05%	1,406,259,210	1,406,259,210
Basic earnings per share (RMB/Share)	0.38	0.30	0.26	46.15%	0.42	0.38
Diluted earnings per share (RMB/Share)	0.38	0.30	0.26	46.15%	0.42	0.38
Weighted average ROE (%)	10.32%	7.70%	6.72%	Increased 3.60 percentage	10.61%	9.77%

				points		
	As at 31 Dec. 2016	As at 31 Dec. 2015		Changes over the end of last year	As at 31 Dec. 2014	
		Before adjusted	After adjusted	After adjusted	Before adjusted	After adjusted
Total assets (RMB)						
Net assets attributable to shareholders of the listed company (RMB)	16,979,235,630	15,489,600,160	15,489,600,160	9.62%	15,116,808,305	15,116,808,305
Operating income (RMB)	7,812,335,004	7,874,310,997	7,645,810,997	2.18%	8,348,561,765	8,212,161,765

## VII. Difference between accounting data under domestic and overseas accounting standards

### 1. Differences of the net profit and net assets disclosed in financial report prepared under international and Chinese accounting standards

☐ Applicable ☒ Not applicable

No such differences in the report period.

### 2. Difference of the net profit and net assets disclosed in financial report prepared under overseas and Chinese accounting standards

☐ Applicable ☒ Not applicable

No such differences in the report period.

## VIII. Main financial indexes by quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	1,949,421,848	2,278,743,794	2,293,975,948	2,451,941,817
Net profit attributable to shareholders of the listed company	204,835,467	262,047,787	248,016,059	82,822,263
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	192,098,876	231,424,507	221,542,609	131,884,981
Net cash flow arising from operating activities	319,915,324	726,805,025	545,478,611	648,653,160

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the Company's quarterly report and semi-annual report or not

☐ Yes ☒ No

## IX. Items and amounts of extraordinary gains/losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2016	2015	2014	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-1,759,358	2,441,151	-17,722,782	
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)	91,627,439	81,013,548	90,223,936	
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 investment income from disposal of transactional financial assets and liabilities and financial assets available for sale	-9,850,256	103,759,395	-75,289,210	
Other non-operating income and expenditure except for the aforementioned items	1,306,284	33,268,175	14,816,694	
Other gains/losses satisfied definition of extraordinary profit (gains)/loss	-45,909,181	100,146,152	389,101,151	
Less: Impact on income tax	14,327,585	86,288,731	20,318,806	
Impact on minority shareholders' equity (post-tax)	316,740	1,370,526	28,347,800	
Total	20,770,603	232,969,164	352,463,183	--

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)	Reason
Other gains/losses satisfied definition of extraordinary gains and losses	-45,909,181	Loss of equity revaluation caused by business combination under different control.

## Section III Overview of the Company's Business

### I. Main business of the Company in the report period

CSG is the No.1 brand of energy-saving glass at home and a renowned brand of solar PV products and display devices. Its products and technologies are very popular at home and abroad. Its main business covers R&D, manufacturing and sales of high quality float glass and architectural glass, solar glass, silicon material, renewable energy products such as PV battery and modules, and new materials and information display products such as ultra-thin electronic glass and display devices. It also provides one-stop services such as project development, construction, operation and maintenance of solar photovoltaic power plants.

#### Flat glass industry

CSG now has 10 float glass production lines representing the most advanced technology in domestic market and 2 solar rolled glass production lines. The annual capacity of various high-grade float glass has reached more than 2.325 million tons and the annual capacity of solar rolled glass has reached over 0.427 million tons. The Company owns quartz sand raw material bases in Jiangyou, Sichuan Province and Yingde, Guangdong Province. The production bases for flat glass, solar glass and ultra-thin glass of the Company located in Dongguan, Chengdu, Langfang, Wujiang, Xianning, and Yichang, which can produce various colors of high-grade float glass with thickness from 1.1mm to 25mm and ultra-clear float glass. Those products are widely used in high-grade buildings, decoration and furniture, mirror, automotive windshield, scanner, copier, PDP TV, rear-projection television, display devices and solar energy field, each performance indicator of which has reached domestic advanced level.

The Company always adheres to innovation, transformation and upgrading, and further enhances the profitability of flat glass industry by the implementation of differentiated competitive strategy. In 2016, the second-line technological transformation project of the subsidiary Hebei CSG was successfully completed. The original float glass production line was transformed into a structure with one melter and two production lines, which can simultaneously produce two types of float glass to satisfy different specifications and requirements and thus significantly improve the flexibility of production line. The first-line technological transformation product of its subsidiary Chengdu CSG has been formally started, which is targeted to produce high quality auto glass. It has put into operation in Feb. 2017. The technology transformation and operation of such two production lines of float glass shall further improve the competency of CSG in the market of flat glass.

#### Architectural glass industry

As the nation's largest supplier of high-grade engineering and architectural glass, CSG has five architectural and energy-saving glass processing centers which are located in Tianjin, Dongguan, Xianning, Wujiang and Chengdu. The Company possesses the world's most advanced glass deep-processing equipment and testing instruments, and its products cover all kinds of architectural glass. R&D and use of coating technology of the Company keep pace with the world and its technology of high end product is even of the world's leading level. Following the second generation of energy-saving glass products, the Company has successively developed the third generation and multi-function energy-saving glass products with continuous improving energy-saving and heat-preservation effect. Its high-quality energy-saving LOW-E insulating glass has occupied more than 40% of the domestic high-end market. At present, the Company's LOW-E coated insulating glass and LOW-E coated glass have reached annual capacity of more than 15.00 million square meters and 33.00 million square meters respectively.

The Company's quality management system for engineering and architectural glass has been respectively approved by organizations of UK AOQC and Australia QAS. The product quality which meets the national standards of the US, the UK and Australia enables CSG frequently win in the international tendering and bidding. Since 1988, CSG's engineers and technicians have been continuously participating in the formulation and compilation of various national standards and industry standards. Various high-quality architectural glass of the Company has been used in many landmark buildings at home and abroad, such as Beijing Capital

International Airport, CCTV, Shanghai Oriental Fisherman's Wharf, Shenzhen KingKey100 Building, Ping An International Finance Centre, Hangzhou International Airport, Chengdu International Finance Centre, Hong Kong Four Seasons Hotel, Hilton Hotel at Melbourne Airport, Tokyo Tallest Building, International Centre of Abu Dhabi.

## **Solar Energy Business**

With its stable quality management, strong cost control and outstanding technological innovations, CSG has built a complete industry chain covering high purity polycrystalline silicon materials, silicon wafer, silicon solar cell and modules, and design and construction of solar photovoltaic power plants, by which the Company ensures the stable quality and best cost-efficiency of its PV products to customers.

The Company now produces 7,000 ton/year of polycrystalline silicon, 1GW/year of silicon wafer, 0.75GW/year of solar cell, and 0.15GW/year of modules. Under the favorable domestic market outlook of solar PV products, the Company is further exploiting its potential, and upgrading and reconstructing its existing lines of polycrystalline silicon with the purpose of increasing the total production of polycrystalline silicon to above 9,000 ton/year. Meanwhile, the Company is also promoting the newly-added silicon wafer project of Yichang CSG Polysilicon Co. and the PV cell line expansion project in Dongguan in order to enhance the anti-risk capacity of its PV industry chain and drive the balanced, fast and healthy development of its PV industry chain. When the projects are completed, the Company's production of silicon wafers and silicon solar cells will be greatly increased and the general competitiveness of the chain will be further improved.

To perfect its solar energy chain, the Company established Shenzhen CSG PV Energy Co., Ltd., a wholly-owned subsidiary, in 2015, of which the mainline business is to invest and develop solar photovoltaic power plants and extend CSG's solar energy industry to cover highly value-added terminal applications. At the end of 2016, the Company newly established New Energy Application Department to generally manage the investment, operation and maintenance of the Company's PV power plants and effectively integrate internal assets, so as to enlarge and strengthen its solar energy business.

## **Electronic glass and display business**

The Company has built two complete chains of full-set out-cell touch panel from raw material, processing to touch panel integration module with its more than ten years of experience since 2000 when it established Shenzhen Nanbo Display Technology Co., Ltd. One is "ultra-thin glass bed preparation → glass coating → glass yellow light → glass modules", and the other is "PET coating → film yellow light → film module. Its production capacity covers ultra-thin float glass preparation, glass coating, glass pattern processing, glass touch panel module, flexible material filming, flexible material pattern processing, and full lamination of flexible touch panel display, making it the only one company that holds a complete industry chain from ultra-thin float glass production to ultra-thin sensor processing and ultra-thin touch panel module assembly to achieve high definition display and ultra-narrow edge touch panel solutions. In 2016, the Company acquired 16.10% of the equity of Shenzhen Nanbo Display Technology Co., Ltd. and re-control of it.

Furthermore, the Company, with its more than 20 years of experience in float glass production and powerful technology and innovation team, entered the ultra-thin electronic glass market in 2010 and finished its strategic deployment across the country with three electronic glass bases in Langfang, Hebei Province in North China, Yichang, Hubei Province in Central China, and Qingyuan, Guangdong Province in South China. The products can be as thin as 0.2mm-1.1mm, covering a range from normal soda-lime glass to medium-aluminum, ultra-clear, ultra-thin, and high-aluminum glass, which are widely used in tempered glass films, cover glass, and ITO conductive glass.

In 2016, the Company further integrated its ultra-thin electronic glass business with display business and established the electronic glass and display department, which incorporated the subsidiaries of ultra-thin electronic glass and display, and actively boosted the development and production of its middle and high-end products as well as new products according to market conditions.

## II. Major changes in main assets

### 1. Details of major changes in main assets

Main assets	Note of major changes
Equity assets	Mainly due to Shenzhen Nanbo Display Technology Co., Ltd. included in the scope of consolidation.
Fixed assets	There was no significant change in fixed assets in the report period.
Intangible assets	Intangible assets increased by 22% mainly because Shenzhen Nanbo Display Technology Co., Ltd. was included in the scope of consolidation.
Construction in progress	There was no significant change in construction in progress in the report period.

### 2. Main overseas assets

☐ Applicable    ☒ Not applicable

## III. Core Competitiveness Analysis

Does the Company need to abide by the requirements for disclosure for special industries?

No

① The Company currently has built complete industrial chains in the industries it involved, which has complementary advantage. In glass industry, the Company has set up the industry chain as quartz sand → high quality float glass → architectural energy-saving glass. 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 its module, photovoltaic rolled glass, etc. and extended to terminal application of PV power plant. 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 East China, West China, South China and Central China, which enables the Company to be closer to the market and serve the market better.

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's advanced level, and its technique and technology in the field of solar energy keep leading position in domestic market.

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

During the reporting period, the Company has experienced the resignation of senior management, which caused changes in its core management team. Now it has built up a new management team under the lead of the Board of Directors. CSG's new management team led by CEO Pan Yonghong who bring international and open ideas of operation and management, aim to achieve the transfer of capacity and continue to expand new business fields along with the national policies of the Belt and Roads based on the intensive development of CSG's main business, making the Company be bigger and stronger, so as to be a comprehensive industrial group.



## Section IV Discussion and Analysis by the Management

### 1. Introduction

During the past year, the global economic situation fluctuated, main economic entity lacked of power in economic recovery, and risk events occurred frequently. Anticipated interest increase of FED disturbed the market mood, Brexit event impacted on EU and even the global economy and Trump's being elected intensified the uncertainty of global economy. Under the background that global economy growth presented declaration and the uncertainty was increased, while deepening structural adjustment, industrial enterprises realized profit growth, the preliminary results of "Reducing Production Capacity" achieved, and China's overall economy realized stable growth.

In 2016, although experiencing the fluctuation in the second half of the year, under the leadership of new board of directors and leading team, CSG strengthened in all aspects of flat glass, architectural glass, solar energy PV, electronic glass and display devices. The Company realized operating revenue of RMB 8,974 million, with a year-on-year increase of RMB 1,543 million or 20.77%. The net profit was RMB 804 million, with a year-on-year increase of RMB 256 million or 46.83%. And the net profit deducted with non-recurring profit and loss was RMB 777 million, with a year-on-year increase of RMB 477 million or 159.26%. The operating income and the net profit deducted with non-recurring profit and loss reached the best level in history.

Benefited from the national measures of adjustment of capacity structure, elimination of backward capacity and strengthening environmental protection control, the flat glass market warmed up. Taking this opportunity, CSG focused on adjusting product structure, implementing differential competition policy, strengthening internal control to further improve product competitiveness and then gained substantial increase in profit. Flat glass business realized revenue of RMB 4,047 million, with a year-on-year increase of RMB 602 million or 18%. The net profit was RMB 494 million with a year-on-year increase of RMB 413 million or 508 %.

In the situation of increasing investment in real estate, the sales volume of architectural glass further increased, architectural glass business realized annual business revenue of RMB 3,000 million, with a year-on-year increase of 2%. Although the Company tried to rise the profit level of some products through promoting differential product competition, improving product multiplicity and launching high-end new products, affected by the price rise of raw float glass and intensified downstream competition, the sales price went down and the profit declined, with the net profit of RMB 261 million, a year-on-year decrease of RMB 139 million or 35%.

In the section of PV solar energy, the project of Yichang silicon material wafer phase III was put into operation which improved the capacity and reduced the cost. In 2016, the accumulated operating revenue of the Solar Energy division reached RMB 2,320 million, with a year-on-year increase of RMB 736 million or 46%. The annual net profit was RMB 220 million, with a year-on-year increase of RMB 138 million or 167%.

At the end of 2015, the Group established Shenzhen CSG PV Energy Co., Ltd. which invested to develop PV power station, and further improved solar energy industrial chain (silicon material-silicon wafer- solar cell - module -PV power station). By the end of 2016, four power station projects have been constructed in total scale of 57MW. The development of PV power station business will bring new income and profit growth point, and further improve the competitiveness of the Group in solar energy industry.

In the section of electronic glass and display, the Group further defined the product business positioning and technical route. Facing market opportunity, the Group gradually occupied mobile tempered coated glass market through continuous technical improvement and reform and quality improvement. At the same time, with the commercial operation of Qingyuan high aluminum ultra-thin glass production line and gradual improvement of product quality, the productivity and product line of the Group in the field of electronic glass will be further improved and enriched, and preliminarily set up national strategic layout.

## II. Main business analysis

### 1. Overview

Unit: RMB

Items	2016	2015	Range of Change	Analysis of reasons
Operating income	8,974,083,407	7,430,889,111	20.77%	mainly due to the increase of sales
Operating costs	6,562,214,373	5,824,792,630	12.66%	mainly due to the increase of sales
Sales expenses	301,815,090	283,369,323	6.51%	mainly due to the increase of transportation charges
Administration expenses	766,589,059	672,697,939	13.96%	mainly due to the increase of employee compensation and research and development expense
Including: R&D expenses	285,129,442	231,328,258	23.26%	mainly because the Company enhanced the R & D investment
Financial expenses	265,820,569	278,687,176	-4.62%	mainly due to the decrease of interest expense
Net cash flow arising from operating activities	2,240,852,120	1,092,832,497	105.05%	mainly due to the increase of cash received from selling of goods and offering services
Net cash flow arising from investment activities	-1,606,225,665	-578,218,613	177.79%	mainly due to the increase in net cash received from subsidiaries
Net cash flow arising from financing activities	-626,361,427	-100,083,486	525.84%	mainly due to the increase in cash outflow from financing activities

### 2. Revenue and cost

#### (1) Constitution of operation revenue

Unit: RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
total of operating income	8,974,083,407	100%	7,430,889,111	100%	20.77%
According to industry					
Flat glass industry	4,047,280,576	45.10%	3,445,317,682	46.36%	17.47%
Architectural glass industry	3,001,016,658	33.44%	2,957,350,171	39.80%	1.48%
Solar energy industry	2,320,237,216	25.85%	1,584,478,216	21.32%	46.44%

Electronic glass & Display industry	433,457,290	4.83%	188,243,588	2.53%	130.26%
Others	22,581,871	0.25%	--	--	--
Amount of unutilized	-850,490,204	-9.47%	-744,500,546	-10.01%	--
According to product					
Flat glass products	4,047,280,576	45.10%	3,445,317,682	46.36%	17.47%
Architectural glass products	3,001,016,658	33.44%	2,957,350,171	39.80%	1.48%
Solar energy products	2,320,237,216	25.85%	1,584,478,216	21.32%	46.44%
Electronic glass & Display products	433,457,290	4.83%	188,243,588	2.53%	130.26%
Others	22,581,871	0.25%	--	--	--
Amount of unutilized	-850,490,204	-9.47%	-744,500,546	-10.01%	--
According to region					
Mainland China	7,971,929,246	88.83%	6,782,706,262	91.28%	17.53%
H.K. China	135,128,604	1.51%	33,763,014	0.45%	300.23%
Europe	25,914,385	0.29%	77,847,670	1.05%	-66.71%
Asia (excluding Mainland China and H.K.)	614,806,258	6.85%	440,216,997	5.92%	39.66%
Australia	37,437,349	0.42%	53,640,585	0.72%	-30.21%
North America	134,941,952	1.50%	34,437,909	0.46%	291.84%
Other regions	53,925,613	0.60%	8,276,674	0.12%	551.54%

**(2) List of the industries, products or regions exceed 10% of the operating income or operating profits of the Company**

√Applicable    □ Not applicable

Whether the Company needs to comply with the disclosure requirements of the particular industry

No

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 industry						

Flat glass industry	4,047,280,576	3,053,993,451	24.54%	17.47%	0.19%	13.02%
Architectural glass industry	3,001,016,658	2,302,934,053	23.26%	1.48%	10.51%	-6.27%
Solar energy industry	2,320,237,216	1,749,136,674	24.61%	46.44%	31.18%	8.77%
According to product						
Flat glass products	4,047,280,576	3,053,993,451	24.54%	17.47%	0.19%	13.02%
Architectural glass products	3,001,016,658	2,302,934,053	23.26%	1.48%	10.51%	-6.27%
Solar energy products	2,320,237,216	1,749,136,674	24.61%	46.44%	31.18%	8.77%
According to region						
Mainland China	7,971,929,246	5,854,583,969	26.56%	17.53%	9.89%	5.11%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the report period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the report period

√Applicable    □ Not applicable

	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 industry						
Flat glass industry	3,445,317,682	3,048,298,531	11.52%	-4.79%	-1.43%	-3.02%
Architectural glass industry	2,957,350,171	2,084,007,187	29.53%	-3.16%	0.07%	-2.27%
Solar energy industry	1,584,478,216	1,333,373,983	15.85%	43.66%	47.46%	-2.17%
According to product						
Flat glass products	3,445,317,682	3,048,298,531	11.52%	-4.79%	-1.43%	-3.02%
Architectural glass products	2,957,350,170	2,084,825,729	29.53%	-3.16%	0.07%	-2.27%
Solar energy products	1,584,478,216	1,333,373,983	15.85%	43.66%	47.46%	-2.17%
According to region						
Mainland China	6,782,706,262	5,327,667,254	21.45%	5.91%	9.80%	-2.79%

Reasons for changing caliber:

In 2016, the Company completed the acquisition of 16.10% equity of Shenzhen Nanbo Display Technology Co., Ltd. which realized to control it again. Meanwhile, in order to enhance the profitability of the Company's electronic glass and display industry, the Company set up Electronic Glass and Display Division, the subsidiaries involved in the industry were included in the division for business management.

### (3) Whether the Company's goods selling revenue higher than the service revenue

Whether the Company's goods selling revenue higher than the service revenue

☒ Yes ☐ No

Unit: RMB

Industry	Item	2016	2015	Increase/decrease y-o-y (%)
Flat glass industry	Sales volume	3,996,589,665	3,393,855,506	17.76%
	Output	3,025,299,308	2,977,776,612	1.60%
	Stock	57,740,624	55,141,449	4.71%
Architectural glass industry	Sales volume	2,948,276,918	2,923,961,268	0.83%
	Output	2,226,366,889	2,042,473,768	9.00%
	Stock	45,501,861	39,698,597	14.62%
Solar energy industry	Sales volume	2,283,441,881	1,539,398,724	48.33%
	Output	1,750,106,927	1,345,546,767	30.07%
	Stock	88,180,662	66,747,139	32.11%
Electronic glass & Display industry	Sales volume	424,883,660	186,454,346	127.88%
	Output	377,991,367	110,498,127	242.08%
	Stock	83,136,742	8,263,275	906.10%

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

☒ Applicable ☐ Not applicable

The increase of sales volume of Solar glass industry sales was mainly due to the increase of sales volume in Year of 2016, because the cell expansion project of Dongguan PV and the 1GW silicon project of Yichang polysilicon put into operation in the year.

Sales volume of electronic glass and display industry increased mainly because Qingyuan CSG released to mass production in Year of 2016, revenue increased over Year of 2015, and Shenzhen Display was consolidated in the financial statements.

### (4) Fulfillment of significant sales contracts signed by the Company up to the report period

☐ Applicable ☒ Not applicable

### (5) Constitution of operation cost

Industry classification

Unit: RMB

Industry	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Flat glass industry	Raw material	1,319,479,277	43.65%	1,177,407,283	39.02%	12.07%
	Labor wages	191,576,327	6.34%	183,731,228	6.09%	4.27%
	Depreciation	321,292,985	10.63%	305,020,209	10.11%	5.33%
	Energy	1,143,130,332	37.82%	1,304,629,784	43.23%	-12.38%
	Other	47,221,212	1.56%	47,043,210	1.56%	0.38%
Architectural glass industry	Raw material	1,520,892,874	68.49%	1,358,759,944	66.10%	11.93%
	Labor wages	238,201,630	10.73%	248,355,111	12.08%	-4.09%
	Depreciation	201,796,459	9.09%	200,592,752	9.76%	0.60%
	Energy	192,098,157	8.65%	184,309,591	8.97%	4.23%
	Other	67,574,505	3.04%	63,468,194	3.09%	6.47%
Solar energy industry	Raw material	863,980,658	49.98%	605,417,195	46.67%	42.71%
	Labor wages	172,281,138	9.97%	135,524,377	10.45%	27.12%
	Depreciation	224,467,295	12.98%	186,248,221	14.36%	20.52%
	Energy	430,177,273	24.88%	330,547,579	25.48%	30.14%
	Other	37,767,041	2.18%	39,531,997	3.05%	-4.46%
Electronic glass & Display industry	Raw material	49,582,058	16.36%	24,083,849	23.56%	105.87%
	Labor wages	41,457,372	13.68%	6,496,661	6.35%	538.13%
	Depreciation	71,741,992	23.67%	23,018,135	22.51%	211.68%
	Energy	114,682,316	37.83%	40,579,476	39.69%	182.61%
	Other	25,654,162	8.46%	8,056,730	7.88%	218.42%

Product classification

Unit: RMB

Product	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Flat glass products	Raw material	1,319,479,277	43.65%	1,177,407,283	39.02%	12.07%
	Labor wages	191,576,327	6.34%	183,731,228	6.09%	4.27%
	Depreciation	321,292,985	10.63%	305,020,209	10.11%	5.33%
	Energy	1,143,130,332	37.82%	1,304,629,784	43.23%	-12.38%
	Other	47,221,212	1.56%	47,043,210	1.56%	0.38%
Architectural	Raw material	1,520,892,874	68.49%	1,358,759,944	66.10%	11.93%

glass products	Labor wages	238,201,630	10.73%	248,355,111	12.08%	-4.09%
	Depreciation	201,796,459	9.09%	200,592,752	9.76%	0.60%
	Energy	192,098,157	8.65%	184,309,591	8.97%	4.23%
	Other	67,574,505	3.04%	63,468,194	3.09%	6.47%
Solar energy products	Raw material	863,980,658	49.98%	605,417,195	46.67%	42.71%
	Labor wages	172,281,138	9.97%	135,524,377	10.45%	27.12%
	Depreciation	224,467,295	12.98%	186,248,221	14.36%	20.52%
	Energy	430,177,273	24.88%	330,547,579	25.48%	30.14%
	Other	37,767,041	2.18%	39,531,997	3.05%	-4.46%
Electronic glass & Display products	Raw material	49,582,058	16.36%	24,083,849	23.56%	105.87%
	Labor wages	41,457,372	13.68%	6,496,661	6.35%	538.13%
	Depreciation	71,741,992	23.67%	23,018,135	22.51%	211.68%
	Energy	114,682,316	37.83%	40,579,476	39.69%	182.61%
	Other	25,654,162	8.46%	8,056,730	7.88%	218.42%

Note

Nil

#### (6) Whether the consolidated scope changed during the report period

☒ Yes ☐ No

An extraordinary meeting of the 7<sup>th</sup> session of the Board of Directors was held on May 20, 2016, where *the Proposal of Purchasing 16.10% Equity of Shenzhen Nanbo Display Technology Co., Ltd.* was deliberated and approved. The equity was transferred in June 2016 and Shenzhen Nanbo Display Technology Co., Ltd. became a subsidiary of the Company and was incorporated into the consolidated financial statement.

On May 20, 2016, the extraordinary meeting of the 7<sup>th</sup> session of the Board of Directors passed the proposal of investing in 4 million square meters light guide plate and Photoelectric Glass Line and Purchasing 100% Equity of Xianning Feng Wei Technology Co., Ltd. The equity was transferred in June 2016 and Xianning Feng Wei Technology Co., Ltd., which was renamed Xianning CSG PV Glass Co., Ltd., became a subsidiary of the Company and was incorporated into the consolidated statement.

Details can be found in the eleventh section of financial statements, note eight “change of the scope of the consolidation” of the consolidated financial statement.

#### (7) Major changes or adjustment in business, product or service of the Company in the report period

☐ Applicable ☒ Not applicable

#### (8) Major customers and major suppliers

Major customers of the Company

Total sales to the top five customers (RMB)	1,673,225,105
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Proportion in total annual sales volume for top five customers	18.65%
Related party sales volume in total annual sales volume for top five customers accounted for the proportion of total annual sales	0

## Information of the top five customers of the Company

Serial	Name of customer	Sales volume (RMB)	Proportion in total annual sales
1	Customer A	392,031,462	4.37%
2	Customer B	364,826,936	4.07%
3	Customer C	351,177,251	3.91%
4	Customer D	329,590,412	3.67%
5	Customer E	235,599,043	2.63%
Total	--	1,673,225,105	18.65%

## Other statement of main customers

☐ Applicable    ☒ Not applicable

## Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB)	1,249,161,895
Proportion in total annual purchase amount from the top five suppliers	23.20%
Related party purchase amount in total annual purchase amount from the top five suppliers accounted for the proportion of total annual purchase amount	0

## Information of the top five suppliers of the Company

Serial	Name of supplier	Purchase amount (RMB)	Proportion in total annual purchase
1	Supplier A	373,154,079	6.93%
2	Supplier B	326,448,339	6.06%
3	Supplier C	198,807,193	3.69%
4	Supplier D	196,592,319	3.65%
5	Supplier E	154,159,965	2.86%
Total	--	1,249,161,895	23.20%

## Other statement of main suppliers

☐ Applicable    ☒ Not applicable

### 3. Expenses

Unit: RMB

	2016	2015	Increase/decrease y-o-y	Note of major changes
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Sales expense	301,815,090	283,369,323	6.51%	--
Management expense	766,589,059	672,697,939	13.96%	--
Financial expense	265,820,569	278,687,176	-4.62%	--

#### 4. R&D expenses

☒ Applicable    ☐ Not applicable

The Company always emphasizes research and development of new products, new technology and new craft, and R & D aims to close to the market, production and industry.

R&D investment of the Company

	2016	2015	Ratio of change
Number of R & D personnel (person)	134	162	Reduced 28 persons
Ratio of number of R&D personnel	1.16%	1.54%	-0.38%
Amount of R & D investment (RMB)	341,553,966	239,933,028	42.35%
Ratio of the R&D investment to the operating income	3.81%	3.23%	0.58%
Amount of the capitalized R&D investment (RMB)	23,213,785	0	--
Ratio of the capitalized R&D investment to the R&D investment	6.80%	0	6.80%

Reason of remarkable changes over the last year of the ratio of the total R&D investment amount to the operating income

☐ Applicable    ☒ Not applicable

Reason of substantial change of the ratio of the R&D investment capitalization and its reasonable explanation

☐ Applicable    ☒ Not applicable

#### 5. Cash flow

Unit: RMB

Item	2016	2015	Increase/decrease y-o-y
Subtotal of cash in-flow from operation activity	10,492,184,098	8,317,704,132	26.14%
Subtotal of cash out-flow from operation activity	8,251,331,978	7,224,871,635	14.21%
Net cash flow from operation activity	2,240,852,120	1,092,832,497	105.05%
Subtotal of cash in-flow from investment activity	372,941,656	850,143,142	-56.13%
Subtotal of cash out-flow from investment activity	1,979,167,321	1,428,361,755	38.56%
Net cash flow from investment activity	-1,606,225,665	-578,218,613	177.79%
Subtotal of cash in-flow from financing activity	9,762,174,851	6,989,696,220	39.67%
Subtotal of cash out-flow from financing activity	10,388,536,278	7,089,779,706	46.53%
Net cash flow from financing activity	-626,361,427	-100,083,486	525.84%
Net increased amount of cash and cash equivalent	9,822,113	417,906,617	-97.65%

Main reasons for y-o-y major changes in aspect of relevant data

√Applicable    □ Not applicable

The increase of cash in-flow from financing activity mainly because cash received from borrowing in financing activity increased.

Net amount of cash and cash equivalent decreased mainly because cash out-flow from investment activity increased.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2015 of the Company during the reporting period

√Applicable    □ Not applicable

Adjustment for the difference between net profit and amount of cash flow from operation activity for the year as follows:

Unit: RMB

Net profit	804,226,524
Plus: impairment of assets	58,862,764
Depreciation of fixed assets	879,345,692
Amortization of intangible assets	36,907,548
Net change in safe production costs	-9,594,025
Amortization of long-term deferred expenses	899,506
Net loss/ (gains) on disposal of fixed assets and intangible assets	1,759,358
Financial expenses	258,319,331
Investment (loss) / income	279,187,752
Deferred income tax assets decrease /( increase)	13,884,362
Decrease in deferred income tax liabilities	-2,209,981
Changes in fair value gains and losses	-228,500,000
Decrease /( increase) in inventories	-71,720,745
Increase in operating receivables	-259,804,129
Increase in operating payables	479,288,163
Net cash flow from operating activities	2,240,852,120

### III. Analysis of the non-core business

√Applicable    □ Not applicable

Unit: RMB

	Amount	Ratio in total profit	Note for the reason	Sustainable or not
Investment income	-279,187,752	-29.20%	Mainly generated by acquisition of the equity of Shenzhen Display	No
Changes in fair value	228,500,000	23.90%	Mainly generated by acquisition of the equity of Shenzhen Display	No
Asset impairment	58,862,764	6.16%	Mainly generated by provision impairment of shareholders' assets etc.	No

Non-operating income	99,629,941	10.42%	Mainly government subsidies income	No
Non-operating expense	8,455,576	0.88%	Mainly due to the disposal of non-current assets	No

## IV. Assets and liabilities

### 1. Major changes of assets and liabilities composition

Unit: RMB

	As at 31 Dec. 2016		As at 31 Dec. 2015		Change of proportion	Notes of major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	586,803,505	3.46%	578,834,520	3.74%	-0.28%	--
Accounts receivable	627,985,983	3.70%	452,961,612	2.92%	0.78%	Mainly due to the increase of accounts receivable of architectural glass industry
Inventory	477,780,925	2.81%	350,425,732	2.26%	0.55%	Mainly due to the increase of inventories in solar energy industry, electric glass and display industry.
Long-term equity investment	0	--	668,210,253	4.31%	-4.31%	Mainly due to Shenzhen Nanbo Display Technology Co., Ltd. included in the scope of consolidation
Fix assets	11,457,972,991	67.48%	10,199,674,929	65.85%	1.63%	--
Construction in process	1,362,096,377	8.02%	1,339,340,780	8.65%	-0.63%	--
Short-term loans	4,017,869,662	23.66%	3,216,326,670	20.76%	2.90%	Mainly due to the increase of bank loan
Long-term loans	1,438,660,000	8.47%	1,200,000,000	7.75%	0.72%	--

### 2. Assets and liabilities measured at fair value

☐ Applicable    ☒ Not applicable

### 3. Limited asset rights as of the end of the report period

Item	Limited amount	Limited reason
Money	2,236,515	Margin deposit deposited when the Company applies for a letter of credit issued by the

funds

bank and applies for loans from the bank.

## V. Investment

### 1. Overall situation

√Applicable    □ Not applicable

Investment in the report period (RMB)	Investment in the same period of last year ( RMB)	Changes
1,979,167,321	1,428,361,755	38.56%

## 2. The major equity investment obtained in the report period

√Applicable    □ Not applicable

Unit: RMB

Name of investee	Mainline business	Way of investment	Invested amount	Ratio of shareholding	Source of funds	Partner	Term of investment	Type of product	Progress up to the balance sheet date	Expected return	Current investment profit and loss	Whether involved in litigation	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Xianning Feng Wei Technology Co., Ltd.	R&D and design of new type materials and high-tech products such as photoelectric glass, high-aluminum glass, energy-saving glass, glass substrate for microelectronics, and material substrate made of extreme materials with extraordinary optical performance for information technology.	Purchased	102,000,000	100%	Own funds and borrowings from financial institutions	None	Long term	Electronic glass products	Equity transfer completed	N/A	N/A	No	5/21/2016 May 21, 2016	2016-026
Shenzhen Nanbo Display Technology Co., Ltd.	Development, production and operations of new type displays, touch panel, and semi-conductive PV materials, and related products.	Purchased	464,345,956	60.80%	Own funds and borrowings from financial institutions	None	Long term	Displays and electronic glass products	Equity transfer completed	N/A	92,184,662	No	5/21/2016 May 21, 2016	2016-027
Total	--	--	566,345,956	--	--	--	--	--	--	--	92,184,662	--	--	--

### 3. The major ongoing non-equity investment in the report period

√Applicable    □ Not applicable

Unit: RMB

Project	Way of investment	Fixed asset investment or not	Industry involved	Amount invested in the report period	Accumulative amount actually invested by the end of the report period	Source of funds	Progress of project (ongoing projects)	Expected return	Accumulative revenue achieved by the end of the report period	Reasons for not achieving the planned progress and the expected return
Qingyuan high-performance ultra-thin electronic glass project	Self-built	Yes	Manufacturing industry	7,594	58,988	Own funds and borrowings from financial institutions	Plan to build a high-performance ultra-thin electronic glass production line with monthly capacity of approximately one million square meters in Qingyuan, which adopts CSG's unique technology to produce 0.55mm~1.1mm high performance ultra-thin electronic glass. The project has been commercially operated since June 2016.	34,197	-1,207	The project has been commercially operated since June 2016, and now it is being marketed vigorously.
Yichang CSG 700MW silicon wafers project	Self-built	Yes	Manufacturing industry	4,598	58,778	Own funds and borrowings from financial institutions	Plan to establish the silicon productivity expansion project in Yichang CSG, among of which, 300MW project has been completed and put into commercial production by the end of 2014. The installation and debugging of major equipment of the project of 400MW was completed in Dec. 2015, and the project has been commercially operated since Jan. 2016.	8,917	4,216	The actual selling price of the wafers was lower than the expected price
Yichang CSG upgrading & expansion project of electronic grade	Self-built	Yes	Manufacturing industry	17,121	17,121	Own funds and borrowings	Plan to add a new cold-hydrogenation line in Yichang CSG, which can produce electronic grade polysilicon on basis of the solar grade polysilicon	22,481	0	No gains as the project is in the

polysilicon and cold-hydrogenation technical upgrading						from financial institutions	device, and meanwhile, add correspondent systems of reduction, rectification, recycle and utilities, so as to boost the actual capacity of polysilicon up to 12,000 tons/year (including 2,500 tons/year for electronic grade polysilicon and 9,500 tons/year for solar energy grade polysilicon). Now the cold-hydrogenation line has been constructed.			construction period.
Expanding 150MW solar PV cell project in Dongguan	Self-built	Yes	Manufacturing industry	11,709	11,709	Own funds and borrowings from financial institutions	Plan to invest in and expand the polysilicon cell production line of Dongguan. When the project is completed, the designed production capacity in Dongguan will be increased from 200MW/year to 350MW/year and the actual production capacity will be 560MW/year. The capacity goal has been achieved by the end of Nov. 2016.	2,799		The project was put into operation by the end of 2016.
Yichang CSG to add a 1GW silicon wafer project	Self-built	Yes	Manufacturing industry	9,501	9,501	Own funds and borrowings from financial institutions	Plan to add 1GW capacity of high-efficient polysilicon wafer on the basis of Yichang CSG's existing 1GW silicon wafer capacity, so as to achieve 2.0GW capacity of polysilicon wafer. Now the first 500MW is under construction. It is expected to finish it in July 2017.	14,853	0	No gains as the project is in the construction period.
PV power plant investment	Self-built	Yes	Manufacturing industry	15,379	15,379	Own funds and borrowings from financial institutions	CSG plans to construct a PV power plant within two years from 2016 to 2017. Its wholly-owned subsidiary, Shenzhen CSG PV Energy Co., Ltd. will self-build 200MW and the remaining 140MW will be constructed by CSG with Qibin Group. In 2016, Shenzhen CSG PV obtained the approval for 60MW integrated PV power plant. 30MW distributed PV power plant was developed and constructed. 15MW	4,344	0	No gains as the project is in the construction period.

							was connected to the grid in 2016.			
4 million square meters light guide plate and PV glass production line	Self-built and purchased	Yes	Manufacturing industry	14,327	14,327	Own funds and borrowings from financial institutions	The Company plans to construct a 4 million square meters PV glass production line for new type ultra-thin LCD display. The line is also provided with a capacity of higher strength ultra-thin electronic glass than CSG Qingyuan. The equity of Xianning Feng Wei Technology Co., Ltd. has been acquired within the report period and the project is under construction.	10,543	0	No gains as the project is in the construction period.
Cold repair upgrading of the first line of Chengdu CSG	Self-built	Self-built	Manufacturing industry	3,714	3,714	Own funds and borrowings from financial institutions	Cold repair upgrading has been performed for the first line of Chengdu CSG. The line will be upgraded to be a professional, high quality industrial thin glass line, featured 2mm series automobile glass while also covering 1.6mm. The project is currently under construction.	2,228	0	No gains as the project is in the construction period.
Cold repair upgrading of the second line (900T) of Hebei CSG	Self-built	Self-built	Manufacturing industry	17,340	17,340	Own funds and borrowings from financial institutions	The former 900T line of float glass of Hebei CSG was upgraded to produce 2mm~19mm glass wafer. The project was started on August 18, 2016 and now it is at the commissioning stage.	1,510	0	Now the project is under commissioning.
Subtotal	--	--	--	101,283	206,857	--	--	105,161	3,009	--
Project	Way of investment	Fixed asset investment or not	Industry involved	Amount invested in the report period	Accumulative amount actually invested by the end of the	Source of funds	Progress of project (suspended projects)	Expected return	Accumulative revenue achieved by the end of the report	Reasons for not achieving the planned progress and the expected



					report period				period	return
Expansion on energy-saving glass capacity of Wujiang Project	Self-built	Yes	Manufacturing industry	0	21,239	--	Plan to increase two coating glass production lines and support insulating glass capacity. When the project is completed, the annual capacities of wide flat coated glass and coated insulating glass will rise by 3 million square meters and 1.2 million square meters respectively. The wide flat coated glass line of 3 million square meters has been completed, and the others will be invested according to market situations.	--	--	By now, part of the project has been completed and the revenue was not calculated individually.
Yichang CSG 700MW crystalline silicon solar cell project	Self-built	Yes	Manufacturing industry	0	0	--	Plan to build a crystalline silicon solar cell production line with annual capacity of 700MW. The project was suspended and further investment will be based on actual industry situations.	--	--	The project was suspended.
Expanding 500MW solar module project in Dongguan	Self-built	Yes	Manufacturing industry	0	0	--	Plan to expand the solar module production line with annual capacity of 500MW. The project was suspended and further investment will be based on actual industry situations.	--	--	The project was suspended.
Hebei Panel Glass project of medium-alumina ultra-thin electronic glass	Self-built	Yes	Manufacturing industry	0	353	Own funds	Plan to establish a production line for medium-alumina ultra-thin electronic glass in Hebei Panel Glass, using clean natural gas as the fuel, and produce 0.33mm~1.1mm medium-alumina ultra-thin glass with float process. The project was still in preparation.	--	--	The project was suspended.
Relocation and equipment upgrading of the solar module production line in	Self-built	Yes	Manufacturing industry	0	0	--	The Company plans to construct a module workshop in Xianning, Hubei Province, of which the final capacity will be 500MW. By relocation of some of the module equipment of its subsidiary, Dongguan	--	--	The project was suspended.

Dongguan							CSG PV Technology Co., Ltd. and purchase of some new equipment, the first stage capacity of the Xianning workshop will be 300MW and, afterwards, it will be expanded to 500MW as required by the market conditions.			
Solar online self-cleaning coated glass project of Dongguan CSG	Self-built	Yes	Manufacturing industry	0	0	--	The Company plans to construct an online self-cleaning coated glass line in Dongguan.	--	--	The project was suspended.
Malaysia-invested architectural glass plant	Self-built	Yes	Manufacturing industry	0	0	--	The Company plans to construct an architectural glass plant in Negeri Sembilan, Malaysia. The Phase I capacity of the newly-built plant will be 1,200,000 square meters insulating glass and 1,000,000 square meters single coated glass.	--	--	The project was suspended.
Subtotal	--	--	--	0	21,592	--	--	--	--	--
Total	--	--	--	101,283	228,449	--	--	105,161	3,009	--

Details of approval and disclosure of the above projects as follows:

1. Qingyuan high-performance ultra-thin electronic glass project was deliberated and approved by the 12<sup>th</sup> meeting of the 6<sup>th</sup> session of board of directors on Aug. 2, 2013 and disclosed on Aug. 6, 2013, Announcement No.: 2013-019.
2. Expansion on energy-saving glass capacity of Wujiang Project and Yichang CSG 700MW silicon wafers project were deliberated and approved by the 18<sup>th</sup> meeting of the 5<sup>th</sup> session of board of directors on Dec. 23, 2010 and disclosed on Dec. 25, 2010, Announcement No.: 2010-046.
3. Yichang CSG upgrading & expansion project of electronic grade polysilicon was deliberated and approved by the 5<sup>th</sup> meeting of the 7<sup>th</sup> session of board of directors on Mar. 27, 2015 and disclosed on Mar. 31, 2015, Announcement No.: 2015-009.
4. Expanding 150MW solar PV cell project in Dongguan was deliberated and approved by the 10<sup>th</sup> meeting of the 7<sup>th</sup> session of board of directors on Jan. 5, 2016 and disclosed on Jan. 6, 2016, Announcement No.: 2016-001.
5. Yichang CSG to add a 1GW silicon wafer project was deliberated and approved by the 10<sup>th</sup> meeting of the 7<sup>th</sup> session of board of directors on Jan. 5, 2016 and 13<sup>th</sup> meeting of the 7<sup>th</sup> session

of board of directors on Apr. 15, 2016, respectively, and disclosed on Jan. 6, 2016 and Apr. 16, 2016, respectively, Announcement No.: 2016-001 and 2016-018.

6. PV power plant investment was deliberated and approved by the 11<sup>th</sup> meeting of the 7<sup>th</sup> session of board of directors on Jan. 21, 2016 and disclosed on Jan. 22, 2016, Announcement No.: 2016-006.
7. 4 million square meters light guide plate and PV glass production line was deliberated and approved by the extraordinary meeting of the 7<sup>th</sup> session of board of directors on May 20, 2016 and disclosed on May 21, 2016, Announcement No.: 2016-025.
8. Cold repair upgrading of the first line of Chengdu CSG was deliberated and approved by the 15th meeting of the 7<sup>th</sup> session of board of directors on Jul. 21, 2016.
9. Hebei Panel Glass project of medium-alumina ultra-thin electronic glass was deliberated and approved by the 4th meeting of the 7<sup>th</sup> session of board of directors on Oct. 27, 2014 and disclosed on Oct. 29, 2014, Announcement No.: 2014-030.
10. Relocation and equipment upgrading of the solar module production line in Dongguan, solar online self-cleaning coated glass project of Dongguan CSG and Malaysia-invested architectural glass plant were deliberated and approved by the 13<sup>th</sup> meeting of the 7<sup>th</sup> session of board of directors on Apr. 5, 2016 and disclosed on Apr. 16, 2016, Announcement No.: 2016-018.

**4. Financial assets investment****(1) Securities investment**

☐ Applicable    ☒ Not applicable

**(2) Derivative investment**

☐ Applicable    ☒ Not applicable

**5. Use of raised fund**

☐ Applicable    ☒ Not applicable

No use of raised funds during the report period.

**VI. Sales of major assets and equity****1. Sales of major assets**

☐ Applicable    ☒ Not applicable

**2. Sales of major equity**

☐ Applicable    ☒ Not applicable

**VII. Analysis of main holding companies and joint -stock company companies**

☒ Applicable    ☐ Not applicable

Particular about main subsidiaries and joint -stock companies which have influence on the Company's net profit by over 10%

Unit: RMB

Name of company	Type	Main business	Registered capital	Total assets (RMB)	Net Assets (RMB)	Operating revenue (RMB)	Operating profit (RMB)	Net profit (RMB)
Chengdu CSG Glass Co., Ltd.	Subsidiary	Development, manufacture and sales of various special glass	260 million	877,233,895	429,048,013	638,536,141	62,190,101	69,474,318
Sichuan CSG Energy-saving Glass Co., Ltd	Subsidiary	Development, manufacture and sales of various special glass and deep processing of glass	180 million	572,650,839	277,549,920	492,956,401	41,995,388	45,604,909

Tianjin CSG Energy Conservation Glass Co., Ltd	Subsidiary	Development, producing and sales of energy-saving special glass	336 million	660,599,157	492,306,508	585,567,095	17,010,838	19,544,803
Dongguan CSG Architectural Glass Co., Ltd.	Subsidiary	Deep processing of glass	240 million	849,063,875	426,813,937	904,829,039	89,263,058	80,252,319
Dongguan CSG Solar Glass Co., Ltd.	Subsidiary	Manufacture and sales of Solar-Energy Glass products	480 million	1,270,593,419	726,931,739	998,705,884	176,158,368	153,053,792
Yichang CSG Polysilicon Co., Ltd.	Subsidiary	Manufacture and sales of high purity silicon material products	1,467.98 million	3,618,110,718	1,201,382,931	1,558,258,572	169,098,958	157,731,574
Wujiang CSG East China Architectural Glass Co., Ltd.	Subsidiary	Deep processing of glass	320 million	753,618,001	456,929,694	627,373,454	60,788,475	52,966,221
Dongguan CSG PV-tech Co., Ltd.	Subsidiary	Manufacture and sales of solar cells and modules	516 million	1,014,223,472	387,363,578	906,991,278	52,030,838	47,356,980
Hebei CSG Glass Co., Ltd.	Subsidiary	Manufacture and sales of various special glass	USD 48.06 million	839,100,133	363,701,634	261,795,404	-1,341,200	2,921,917
Wujiang CSG Glass Co., Ltd.	Subsidiary	Manufacture and sales of various special glass	565.04 million	1,594,019,099	761,691,403	1,456,107,620	224,756,571	195,109,689
CSG (Hong Kong) Limited	Subsidiary	Investment holding	HKD 86.44 million	1,200,065,584	1,075,909,140	0	89,907,406	90,493,696
Hebei Panel Glass Co., Ltd.	Subsidiary	Manufacture and sales of various ultra-thin electronic glass	243 million	315,270,605	267,546,930	117,861,446	14,385,298	12,643,415
Xianning CSG Glass Co., Ltd.	Subsidiary	Development and manufacture and sales of various special glass	235 million	699,259,631	311,441,102	685,117,377	69,758,676	69,814,138
Xianning CSG Energy-saving Glass Co., Ltd	Subsidiary	Deep processing of glass	215 million	616,954,583	279,892,493	375,746,353	30,119,858	50,995,908
Qingyuan CSG	Subsidiary	Manufacture and	300	793,677,167	251,522,065	45,083,127	-12,824,003	-17,085,192

Energy Conservation New-materials Co., Ltd.		sales of various ultra-thin electronic glass	million						
Jiangyou CSG Mining Development Co., Ltd.	Subsidiary	Manufacture and sales of silica sand and co-product	100 million	153,936,947	67,535,595	60,663,945	993,081	804,811	
Shenzhen Nanbo Display Technology Co., Ltd.	Joint-stock company	Manufacture and sales of display device products	143 million	1,549,971,579	775,528,214	423,955,345	106,129,612	92,184,662	
Shenzhen CSG PV Energy Co., Ltd.	Subsidiary	Investment in development of solar photovoltaic power plants	100 million	156,892,704	122,327,290	939,171	-4,873,723	-3,656,242	
CSG (Hongkong) Investment Co., Ltd.	Subsidiary	Investment and trading	HKD 1 million	70,321,026	36,813,608	361,647,694	17,744,020	14,814,754	
Xianning CSG photoelectric glass Co., Ltd.	Subsidiary	Manufacture and sales of various ultra-thin electronic glass and Photoelectric glass	170 million	125,454,888	70,479,287	350,000	-2,422,395	-1,807,088	

Particular about subsidiaries obtained or disposed in report period

√Applicable    □ Not applicable

Name of company	The method of obtaining and disposal for subsidiaries during the report period	The influence to the whole production and performance
Shenzhen Nanbo Display Technology Co., Ltd.	The Company acquired 16.10% equity of Shenzhen Nanbo Display Technology Co., Ltd., and the transfer procedure was finished in Jun. 2016.	Through this acquisition, the Group re-controlled of the Shenzhen Display, which helped the Company to increase support for the Shenzhen Display and management efforts to protect the interests of CSG.
Xianning CSG PV Glass Co., Ltd.	The Company acquired 100% shares of Xianning Feng Wei Technology Co., Ltd. The shares were transferred in June 2016 and Xianning Feng Wei Technology Co., Ltd., was then renamed Xianning CSG PV Glass Co., Ltd.	Through the acquisition of Xianning Fengwei Technology Co., Ltd., the Company quickly mastered the key technologies for production of light guiding panel photoelectric material energy-saving transformation technology for noise-reduction glass and micro-insulating which enhanced the Company's technical competitiveness in related fields.

Notes of main subsidiaries and joint-stock companies

The profit of subsidiaries of flat glass industry increased because product prices rose in this year.

The profit of Dongguan PV and Yichang Polysilicon, subsidiaries of Solar energy industry, increased due to the production capacity expanding.

## VIII. Structured main bodies controlled by the Company

☐ Applicable    ☒ Not applicable

## IX. Outlook of the Company's future development

### 1. Tendency of development of the industries the Company involved

#### Flat glass industry

Since 2016, under the background of reform on supply side, the profitability of glass industry rises to certain extent, the revival of dormant capacity is accelerated, and the capacity utilization rate is gradually increased. However, with the continuously strengthened and expanded domestic real estate regulation policy, it is expected that the business index of real estate industry will fall back in 2017 and the glass demand increase will be narrowed. Coupled with the rise of capacity of flat glass in 2016, it is possible to have oversupply in the float glass market, and the market prospect is not optimistic. However, on macro-policy, the de-capacity of flat glass industry will be further strengthened in 2017, the enforcement of comprehensive standard for energy consumption, quality, environmental protection, safety, etc. will accelerate and increase the elimination of outdated capacity, which will be a good news to CSG with advanced flat glass capacity.

#### Architectural glass industry

With the domestic economic development entering into "New Normal", the real estate investment is obviously slowed down, and the price of upstream float glass greatly rises recently. As a result, the overall profitability of architectural glass industry has declined since 2016, and the architectural glass industry will face severe market situation in the short run.

However, in the long run, as the key of building energy efficiency, the popularization of energy-saving glass in European and American developed countries has been more than 80%, but the usage rate in China is less than 15%. In recent years, Chinese government has strengthened popularization of green building. According to the *"Action Plans for Promoting the Production and Application of Green Building Materials"* jointly printed and distributed by the Ministry of Industry and Information Technology and the Ministry of Housing and Urban-Rural Development in 2015, the proportion of production of green building materials will obviously increase and the development quality will be significantly improved till 2018. The proportion of green building materials used in new buildings will reach 30%, the application proportion in green buildings will reach 50%, the application proportion in pilot demonstration projects will reach 70%, and the application proportion in reconstruction of existing buildings will increase to 80%. As a kind of important green building material, the future development of high-end energy-saving glass is worth being expected.

#### Solar energy PV business

PV industry has become warm continuously since 2012, and has entered into the stage of vigorous development. China has become a PV application power. Up to the end of 2016, PV installed capacity in China has reached 77.4GW, and China has become the country with the largest PV installed reserve in the whole world. Guided by the national policy on promoting clean energy and driven by the rapid growth of PV market, the scale of PV industry in China has been continuously expanded, and the overall industrial development shows a good tendency.

According to *"the 13<sup>th</sup> Five-year Program for Solar Energy Development"*, in 2020, PV will realize combination to grid at fair price at demand side. Therefore, cost reduction and efficiency increase will become the theme of development of PV industry in the future, the industrial development will turn from policy driven to technology led, industrial competition will become more serious, industrial

shuffling will be intensified, the resource and advantage of industrial development will constantly flow to the enterprises with strong technical innovation capacity, and present a situation that “a strong will always be strong”.

### **Electronic glass and display device business**

In recent years, the market capacity of smartphone, tablet PC and other emerging consumer electronic products has tended to be full, which makes the upstream touch screen market demand slow down increasingly. The touch screen market presents an overall tendency of oversupply, while the accelerated industrial technical upgrading and increasingly intensified market competition result in great decline of product price of touch screen and great reduction of industrial profitability, and small-scale touch screen manufacturers have been bankrupt and shut down in succession. However, since 2015, the sharp rise of new market such as intelligent wearable product and vehicle mounted touch control software brings a new opportunity to the development of touch screen market, some manufacturers with technical advantages have taken the lead in entering relevant field and obtained first mover advantage. At the same time, after a round of shuffling, the industrial competition becomes orderly, and it is expected that the industrial development will be more stable in the future.

Ultra-thin electronic glass is one of the important raw materials of electronic display industry, and its core technology has been held by few developed countries in the past, and such glass could be only produced by few manufacturers including SCG in China. However, in recent years, under the background of de-capacity of ordinary flat glass and upgrading and transformation of glass industry, some traditional flat glass enterprises begin to transfer to or increase input in ultra-thin electronic glass, the market competition is intensified, and the industrial gross profit rate is declined. However, due to high technical barrier, the market of high-end electronic glass product is still occupied by international magnates such as Corning and AGC. It is expected that the share of domestic electronic glass product in high-end market will be constantly increased with the development of domestic technology and improvement of product quality.

### **2. Development Strategy**

The future development strategy of the Company is continuing to deepen culture and strengthen advantageous businesses of the Company such as flat glass, architectural glass, solar energy PV and electronic glass and display devices. Through management improvement, market integration, acceleration of internationalization, realize leap-forward development of all business sectors of the Company, greatly improve the industrial position of all sectors, and development into a respected international first-class enterprise.

### **3. Business Plan of 2017**

- ① Improve functions of headquarters, realize general planning management, promote centralized purchase, lean management, exploit its potential and increase efficiency, and ensure the completion of operation construction objective of the Company in 2017;
- ② Improve R&D capacity, build up R&D talent team, establish innovative and fault-tolerant management supporting system and maintain the technical innovation advantage of the Company in the industry;
- ③ Create open, equal, fair and enterprising culture, reinforce innovation execution culture, and strengthen core cohesion of the Company;
- ④ Strengthen talent management, establish remuneration incentive system related to the performance, improve company incentive mechanism, strengthen employee training, and introduce more high-quality talents;
- ⑤ Rationally plan asset-liability ratio level and ensure controllable financial risk;
- ⑥ Vigorously conduct potential exploiting and efficiency increase activity, realize energy saving and consumption reduction, and strengthen competitiveness of the Company;
- ⑦ Improve information level of the Company, and create the world first-class information management platform.

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

In 2017, CSG capital expenditure budget is about RMB 2.9 billion, which was mainly used in the project construction of photovoltaic power plant investment project, the upgrading and expansion project of Yichang Display, the expansion project of Yichang Silicon and Dongguan PV and other projects. The capital is mainly from self-owned capital of CSG, borrowings from financial institutions



and the raised funds from public issuance of corporate bonds.

## 5. Risks and Countermeasures

In 2017, in the face of “New Normal” of domestic economic development and “New CSG” construction task of the Company, the Company will face the following risks and challenges:

① In 2016, the Company had significant personnel change. Under the efforts of the Board of Directors and all employees, the stability of daily operation of the Company has been guaranteed. At present, the new management team of CSG has been established, and the operation management of the Company has been normal. However, the Company still faces the risk of being short of talent and staff turnover. To cope with aforesaid risks, the Company will take the following measures:

- A. Construct new corporate culture of CSG as soon as possible, strengthen innovation execution culture, establish an kind of open, equal, fair and enterprising corporate culture, and reinforce internal core cohesion of employees;
- B. Establish remuneration incentive system which related to performance and improve employee incentive mechanism;
- C. Strengthen internal employee training, introduce external high-quality talent, and rapidly establish a high-quality talent team;
- D. Establish sustainable talent recruitment, cultivation, utilization, retaining, and development management system; create a future-oriented human resource production, development, supply system that can support the future development of CSG.

② The flat glass and architectural glass industry continue to face the pressure of downward demand and excess capacity, the solar energy and PV industry will face the risk of industrial integration and price fluctuation, display devices and electronic glass industry will encounter the risk of accelerated technical upgrading and slow demand on electronic product. To cope with aforesaid risks, the Company will take the following measures:

- A. In the flat glass industry, the Company will accelerate the technical upgrading and reform of existing production line to realize differential operation, expand industrial scale and strengthen industrial competitiveness through industrial M&A;
- B. In architectural glass industry, the Company will strengthen the development of high-end market and overseas market, actively develop traditional residence market, and at the same time, maintain the industrial advantageous position of the Company through market-oriented extension of industrial chain;
- C. In solar energy PV industry, the Company will accelerate the construction of silicon wafer production expansion project and other projects, increase support on construction of downstream PV power station, and reduce the risk of price fluctuation of upstream silicon material, etc.
- D. In electronic glass and display devices industry, the Company will strengthen research and development of new technology, new product, maintain its technical leading advantage in the industry, and further improve the product quality of ultra-thin electronic glass, so as to rapidly develop terminal market and improve industrial profitability.

③ Since 2016, flat glass and polysilicon industrial price has had great fluctuation, which results in great fluctuation of upstream raw material price, and meanwhile the labor price is constantly rising, which brings risk to the operation of the Company. To cope with risk, the Company will take the following measures:

- A. Vigorously exploit potential and increase efficiency, and effectively implement energy saving and consumption reduction;
- B. Focus on the market change, and lock the price of bulk commodity at proper time;
- C. Utilize bulk purchase advantage to reduce purchase cost;
- D. Improve automatic production level, raise labor productivity.

④ Risk of fluctuation of foreign exchange rate: At present, nearly 10.65% of the sales revenue of the Company are from overseas, in the future, the Company will further develop overseas business, and therefore, the fluctuation of exchange rate will bring certain risk to the operation of the Company. To cope with such risk, the Company will settle exchange in time and use safe and effective risk evading instrument and product to relatively lock exchange rate and reduce the risk caused by fluctuation of exchange rate.

## X. Reception of research, communication and interview

### 1. Particulars about research, communication and interview in the report period

√Applicable    □ Not applicable

Reception time	Way	Type	Basic information index of investigation
2016-2-23	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 24 February 2016.
2016-3-30	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 30 March 2016.
2016-4-25	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 26 April 2016.
2016-5-24	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 25 May 2016.
2016-8-22	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> ) on 23 August 2016.

Reception times	5
Number of reception institutions	41
Number of reception person	0
Number of other reception	0
Disclosed, released or let out major undisclosed information	No

## Section V. Important Events

### I. Profit distribution plan of common shares and capitalization of capital reserve plan of the Company

Implementation or adjustment of profit distribution plan in the report period, cash dividend plan and converting capital reserve into share capital in particular

√ Applicable    □ Not applicable

The profit distribution plan for 2015 was approved by Annual General Shareholders' Meeting of 2015 held on 15 April 2016 which distributed RMB 3 (tax included) in cash for every 10 shares to all shareholders. Notice of the distribution was published on *China Securities Journal*, *Securities Times* and *Hong Kong Commercial Daily* on 11 May 2016, and the profit has been distributed.

Special explanation on cash dividend policy	
Satisfy regulations of General Meeting or requirement of Article of Association (Yes/No)	Yes
Well-defined and clearly dividend standards and proportion (Yes/No)	Yes
Completed relevant decision-making process and mechanism (Yes/No)	Yes
Independent directors perform duties completely and play a proper role (Yes/No)	Yes
Minority shareholders have ample opportunities and their legitimate rights and interests are effectively protected (Yes/No)	Yes
Condition and procedures are compliance and transparent while the cash bonus policy adjusted or changed (Yes/No)	Yes

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

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2016: based on 2,075,335,560 shares of the total share capital while dividends will be distributed, distributing cash dividend of RMB 1.00 (tax included) for every 10 shares to all shareholders. Meanwhile the Company will transfer capital reserve into capital with 1.5 shares for every 10 shares to all shareholders based on 2,075,335,560 shares of the total share capital.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2015: based 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 shareholders. In 2015, the Company did not transfer capital reserve into capital.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2014: based on 2,075,335,560 shares of the total shares while dividends were distributed, distributing cash dividend of RMB 5.00 (tax included) for every 10 shares to all share holders. In 2014, 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	Ratio in net profit attributable to shareholders of	cash dividend by other ways	Proportion for cash dividend by other ways
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		listed company in consolidation statement for bonus year	listed company contained in consolidation statement (%)		
2016	207,533,556	797,721,576	26.02%	0	0
2015	622,600,668	532,653,110	116.89%	0	0
2014	1,037,667,780	791,353,030	131.13%	0	0

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

☐ Applicable ☒ Not applicable

## II. Proposal of profit distribution preplan or share conversion from capital public reserve in the report period

☒ Applicable ☐ Not applicable

Distributing bonus shares for every 10 shares (share)	0
Distributing cash dividend for every 10 shares (tax included) (RMB)	1
Shares added for every 10-share base (Share)	1.5
Equity base for distribution preplan (share)	2,075,335,560
Total amount distribution in cash (RMB) (tax included)	207,533,556
Profit available for distribution (RMB)	451,182,587
Cash distributing accounted for the proportion of the total amount of profit distribution (%)	100%
Particular about cash dividend in the period	
If the company's development is at the growth stage with arrangements of significant capital expenditures, the minimum proportion of cash dividend in the profit distribution should reach 20%.	
Details of proposal of profit distribution preplan or share conversion from capital public reserve	
According to the financial report audited by PricewaterhouseCoopers Zhong Tian LLP., the net profit attributable to equity holders of the Company in consolidated statement was RMB 797,721,576 and combined capital reserve was 1,260,702,197 in 2016. Since cash dividend distribution bases on the distributable profit of parent company, the Company took 10% of the net profit as stationary surplus reserve which was RMB 29,727,900 based on the net profit RMB 297,279,004 of parent company statement 2016. Profit available for distribution in 2016 was RMB 451,182,587.	
The Board of Directors proposed to distribute every shareholder RMB 1.00 (including tax) for each 10 shares based on the amount 2,075,335,560 shares, and the total amount distribution is RMB 207,533,556 (including tax), and transfer capital reserve into capital with 1.5 shares for every 10 shares to all shareholders based on 2,075,335,560 shares of the total share capital. With total transferred amount of 311,300,334 shares, the total share capital of the Company will be changed from 2,075,335,560 shares to 2,386,635,894 shares. 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 2016 Annual General Meeting of shareholders.	

### III. Implementation of commitment

#### 1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, the directors, the supervisors and the senior executives or the other related parties during the report period and those hadn't been completed execution by the end of the report period

√Applicable    □ Not applicable

Commitments	Promisee	Type of commitments	Content of commitments	Commit-m ent date	Commit- ment term	Implement- ation
Commitments for Share Merger Reform	The original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd.	Commitment of share reduciton	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	Foresea Life Insurance Co., Ltd., Shenzhen Jushenghua Co., Ltd. and Chengtai Group Co., Ltd.	Commitment of horizontal competition, affiliate Transaction and capital occupation	Foresea Life Insurance Co., Ltd., Shenzhen Jushenghua Co., Ltd. and Chengtai Group Co., Ltd. issued detailed report of equity change on 29 June 2015, in which, they undertook to keep independent from CSG in aspects of personnel, assets, finance, organization set-up and business as long	2015-6-29	During the period when Foresea Life remains the largest sharehold	By the end of the report period, the above shareholders of the Company had strictly carried

			as Foresea Life Insurance remained the largest shareholder of CSG. Meanwhile, they made commitment on regularizing related transaction and avoiding industry competition.		er of the Company	out their promises.
Commitments in assets reorganization						
Commitments in initial public offering or re-financing	Foresea Life Insurance Co., Ltd., China North Industries Corporation	Commitment of share reduciton	The Company's shareholders, Foresea Life Insurance Co., Ltd.and China North Industries Corporation, made commitments that they would not reduce CSG's shares within six months after private placement of CSG from Nov. 25, 2015.	2015-11-25	within six months after private placement of CSG from Nov. 25, 2015	By the end of the report period, the above shareholders of the Company had strictly carried out their promises.
Equity incentive commitment						
Other commitments for medium and small shareholders	Foresea Life Insurance Co., Ltd., China North Industries Corporation	Commitment of share reduciton	The Company's shareholders, Foresea Life Insurance Co., Ltd.and China North Industries Corporation, made commitments that they would not reduce CSG's shares within six months after private placement of CSG from July 15, 2015.	2015-07-15	within six months after private placement of CSG from July 15, 2015	By the end of the report period, the above shareholders of the Company had strictly carried out their promises.
Completed on time(Y/N)	Yes					
If the commitments is not fulfilled on time, explain the reasons and the next work plan	Not applicable					

**2. If there are assets or projects of the Company, which has profit forecast and the report period is still in forecasting period, the Company should explain reasons why they reach the original profit forecast**

☐ Applicable    ☒ Not applicable

**IV. Particular about non-operating fund of listed company which is occupied by controlling shareholder and its affiliated enterprises**

☐ Applicable    ☒ Not applicable

There was no non-operating fund of listed company which is occupied by controlling shareholder and its affiliated enterprises in the report period.

**V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Non-standard audit report” of the period that issued by CPA**

☐ Applicable    ☒ Not applicable

**VI. Particulars about the changes in aspects of accounting policy, accounting estimate and calculation method compared with the financial report of last year**

☐ Applicable    ☒ Not applicable

There were no changes in aspects of accounting policy, accounting estimate and calculation method in the report period.

**VII. Description of major accounting errors within report period that need retrospective restatement**

☒ Applicable    ☐ Not applicable

The Company signed an equity transfer agreement with Shenzhen Xinshi Investment Co.,Ltd.( 深圳市信实投资有限公司)(“Xinshi Investment”) on 16 August 2013 to transfer 19% stock rights of Shenzhen Nanbo Display, held by the Company to Xinshi Investment with price of 424.98 million. The Company discovered one supplemental agreement signed on the same day as above equity transfer agreement in the process of annual audit of current period. The supplemental agreement included terms in relation to that either the Company or Xinshi Investment’s entitlement of requiring the opposite party to sell or buy the shares of Shenzhen Nanbo Display at promissory price. This supplemental agreement was not able to be considered or recognised in prior periods. According to *Accounting Standards for Business Enterprises 22–Recognition and Measure of Financial Instruments*, the Company considered the buy-back obligation as a derivative financial instrument, which should be recognized as financial liabilities at fair value through profit or loss in financial statements of related accounting periods.

The Company conducted retroactive adjustment regarding above accounting error. In consolidated balance sheet, as at 31 December 2015, financial liabilities at fair value through profit or loss increased by RMB 228.5 million (1 January 2015: RMB 136.4 million), surplus reserve decreased by RMB 22.85 million (1 January 2015: RMB 13.64 million), undistributed profits decreased by RMB 205.65 million (1 January 2015: RMB122.76 million); In consolidated income statement, for the year ended 31 December 2015, gain or loss from changes in fair value is increased by RMB 92.1 million.

In the Company’s balance sheet, as at 31 December 2015, financial liabilities at fair value through profit or loss increased by RMB

228.5 million (1 January 2015: RMB136.4 million), surplus reserve decreased by RMB 22.85 million (1 January 2015: RMB 13.64 million), undistributed profits decreased by RMB 205.65 million (1 January 2015: RMB 122.76 million). In consolidated income statement, for the year ended 31 December 2015, gain or loss from changes in fair value increased by RMB 92.1 million.

## VIII. Description of changes in consolidation statement's scope compared with the financial report of last year

☒ Applicable    ☐ Not applicable

An extraordinary meeting of the 7<sup>th</sup> session of the Board of Directors was held on May 20, 2016, at which, the proposal of purchasing 16.10% equity of Shenzhen Nanbo Display Technology Co., Ltd. was deliberated and approved. After the equity transfer was completed in June 2016, Shenzhen Nanbo Display Technology Co., Ltd. became a subsidiary of the Company and was incorporated into the consolidated financial statement.

An extraordinary meeting of the 7<sup>th</sup> session of the Board of Directors was held on May 20, 2016, at which, the proposal of investment in 4 million m<sup>2</sup> light guiding panel photoelectric glass production line and acquisition of 100% equity of Xianning Fengwei Technology Co., Ltd. was deliberated and approved. After the equity transfer was completed in June 2016, Xianning Fengwei Technology Co., Ltd. became a subsidiary of the Company and its name was changed as Xianning CSG photoelectric glass Co., Ltd. which was incorporated into the consolidated financial statement.

## IX. Engaging and dismissing of CPA firm

CPA firm engaged

Name of domestic CPA firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for domestic CPA firm (RMB 0'000)	280
Continuous life of auditing service for domestic CPA firm	15 years
Name of domestic CPA	Yao Wenping, Han Xu

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 the report period, RMB 0.30 million paid for expenses (not including traveling and accommodation expenses).

## X. Particular about the Company suspended from the stock market listing and delisting after the disclosure of the annual report

☐ Applicable    ☒ Not applicable

## XI. Issues related to bankruptcy and reorganization

☐ Applicable    ☒ Not applicable

No such issues related to bankruptcy and reorganization occurred in the report period.



## XII. Significant lawsuits and arbitrations

☐ Applicable    ☒ Not applicable

There were no significant lawsuits or arbitrations in the report period.

Other lawsuits

Basic situation of lawsuits (arbitrations)	Involved amount (RMB)	Whether the estimate liabilities are formed or not	Progress of lawsuits (arbitrations)	Trial result and influence of lawsuits (arbitrations)	Execution of judgment of lawsuits (arbitrations)	Disclosure date	Disclosure index
Contract dispute between Yichang Display Device and Sanmu Industrial	1,997.47	No	B The two sides of the case reached an agreement through conciliation under the auspices of the court and got the Paper of Civil Mediation on February 26, 2016. Pursuant to the Paper of Civil Mediation, Sanmu Industrial should settle the outstanding payment owed to Yichang Display for shipped goods in two installments. Yichang Display would transfer the raw materials and semi-finished products which had already purchased to Sanmu Industrial at the price of RMB11,097,605.	Closed	The execution of the case has been completed. Yichang Display Device has accumulatively received the goods payment principal of RMB 17,887,000 and loan interest, liquidated damages for overdue payment, overdue fine/debt interest during the performance delay, etc. of RMB 1,000,000 paid by Sanmu.		
Contract dispute between Yichang Display Device with 6 companies including Zhuhai Sanyuantai Doumen Electron	933.80	No	This case is one of the series of cases that suppliers proceeded against Yichang Display arising from the contract dispute case of Shenzhen Sanmu. The	Closed	The execution of the case has been completed. Yichang Display Device paid goods payment of RMB 8,990,000 in total.	--	--

Co., Ltd.			relevant case has been closed.				
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### XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in the report period.

### XIV. Integrity of the Company and its controlling shareholders and actual controllers

☐ Applicable ☒ Not applicable

### XV. Implementation of the Company's stock incentive plan, employee stock ownership plan or other employee incentives

☐ Applicable ☒ Not applicable

### XVI. Major related transaction

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

☒ Applicable ☐ Not applicable

Related transaction parties	Related relationship	Related transaction type	Related transaction content	Pricing principle	Dealing price	Trading amount (RMB 0,000 ,tax included)	Proportion in the amount of the same transaction (%)	Approved amount of transaction (RMB 0,000)	Whether over the approved amount or not	Means of payments	Market price of similar transaction available	Date of disclosure	Index of disclosure
Shenzhen Nanbo Display Technology Co., Ltd.	Associated enterprise	Sales products and commodities to related party	Sales of ultra-thin electronic glass	Refers to market price	Not applicable	1,131	0.23%	25,000	No	Monthly settlement	--	2016-1-22	2016-007
Total				--	--	1,131	--	25,000		--	--	--	--
Details of major sold-out order sent back								N/A					
The actual implementation of routine related transactions that is about to occurred in the Period with total amount estimated by category (if any)								In the report period, the total of routine related transactions was in the estimated range.					
Reason for the great difference between trade price and market reference price (if any)								Not applicable					

**2. Related transaction with acquisition of assets or equity, sales of assets or equity concerned**

☐ Applicable    ☒ Not applicable

**3. Related transaction with jointly external investment concerned**

☐ Applicable    ☒ Not applicable

**4. Credits and liabilities with related parties**

☐ Applicable    ☒ Not applicable

**5. Other major related transaction**

☒ Applicable    ☐ Not applicable

An extraordinary meeting of the 7<sup>th</sup> session of the Board of Directors was held on May 20, 2016, at which, the proposal of investment in 4 million m<sup>2</sup> light guiding panel photoelectric glass production line and acquisition of 100% equity of Xianning Fengwei Technology Co., Ltd. was deliberated and approved, which meant that the Board agreed the Company and its wholly-owned subsidiary Hetai Company to acquire 100% equity of Xianning Fengwei Technology Co., Ltd. held by Fengwei Industrial Co., Ltd., Xinbang Investment Co., Ltd. and Shenzhen Qianhai Ruinan Investment Corporation (Limited Partner), with the transfer price of RMB 102 million. Upon completion of this equity transfer, Fengwei Technology became a wholly-owned subsidiary of CSG, and was incorporated into the consolidated financial statement.

Vice President of CSG, Zhang Bozhong, was one of the shareholders of Qianhai Ruinan, with 40% equity held. Pursuant to *Shenzhen Stock Exchange Stock Listing Rules (2014 Revised)*, Qianhai Ruinan was the affiliated legal person of the Company and this transaction constituted a related transaction.

Enquiry website for interim announcement of the major related transaction

Name of interim announcement	Disclosure date	Disclosure website
Announcement of acquisition of 100% equity of Xianning Fengwei Technology Co., Ltd. and related transaction	2016-5-21	Juchao Website

**XVII. Significant contracts and their implementation****1. Trusteeship, contracting and leasing****(1) Trusteeship**

☐ Applicable    ☒ Not applicable

No trusteeship for the Company in the report period.

**(2) Contract**

☐ Applicable    ☒ Not applicable

No contract for the Company in the report period.

**(3) Leasing**

☐ Applicable    ☒ Not applicable

No leasing for the Company in the report period.

**2. Major guarantees**

☒ Applicable    ☐ Not applicable

**(1) Guarantee**

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)
Qingyuan CSG New Energy-Saving Materials Co., Ltd.	2014-8-5	8,000	2014-8-7	6,458	General guarantee	3 years	Yes	No
Tianjin CSG Energy-Saving Glass Co., Ltd.	2016-8-12	10,000	2016-9-22	1,200	General guarantee	1 year	Yes	No
Wujiang CSG East China Architectural Glass Co., Ltd.	2015-6-15	15,000	2016-1-28	10,000	General guarantee	1 year	No	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2015-6-15	3,000	2015-8-13	2,600	General guarantee	1 year	Yes	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2016-8-12	10,000	2015-8-13	500	General guarantee	1 year	Yes	No
Dongguan CSG Solar Glass Co., Ltd.	2016-3-23	15,000	2016-8-19	1,400	General guarantee	1 year	No	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2016-8-12	10,000	2016-8-16	900	General guarantee	1 year	Yes	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2016-8-12	10,000	2016-8-16	1,000	General guarantee	1 year	Yes	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2016-8-12	10,000	2016-8-16	2,600	General guarantee	1 year	No	No

Xianning CSG Glass Co., Ltd.	2016-8-12	10,000	2016-8-16	800	General guarantee	1 year	No	No
Xianning CSG Glass Co., Ltd.	2016-8-12	10,000	2016-8-16	500	General guarantee	1 year	Yes	No
Dongguan CSG Architectural Glass Co., Ltd.	2016-8-12	11,200	2016-8-19	10,000	General guarantee	1 year	No	No
Chengdu CSG Glass Co.,Ltd.	2016-3-23	13,000	2016-4-16	3,000	General guarantee	1 year	Yes	No
Dongguan CSG Solar Glass Co., Ltd.	2016-3-23	15,000	2016-8-19	417	General guarantee	1 year	No	No
Dongguan CSG Solar Glass Co., Ltd.	2016-3-23	15,000	2016-8-19	1,483	General guarantee	1 year	No	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2016-3-23	13,000	2016-4-16	2,000	General guarantee	1 year	Yes	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2016-3-23	13,000	2016-4-16	1,000	General guarantee	1 year	Yes	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2016-3-23	13,000	2016-4-16	2,000	General guarantee	1 year	No	No
Qingyuan CSG New Energy-Saving Materials Co., Ltd.	2016-8-12	5,000	2016-9-15	735	General guarantee	1 year	No	No
Xianning CSG Energy-Saving Glass Co., Ltd.	2016-1-5	10,000	2016-3-17	1,200	General guarantee 证	3 year	No	No
Total amount of approving guarantee for subsidiaries in report period (B1)		447,231		Total amount of actual occurred guarantee for subsidiaries in report period (B2)				49,793
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		548,325		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				30,635
Total amount of guarantee of the Company( total of two abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1)		447,231		Total amount of actual occurred guarantee in report period (A2+B2)				49,793
Total amount of approved guarantee at the end of report period (A3+B3)		548,325		Total balance of actual guarantee at the end of report period (A4+B4)				30,635
The proportion of the total amount of actually guarantee in the net assets of the Company(that is A4+ B4)				3.92%				
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)				3,000				
Proportion of total amount of guarantee in net assets of the Company exceed				0				

50%(E)	
Total amount of the aforesaid three guarantees(C+D+E)	3,000
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees	The Company shall bear joint and several liabilities in guarantee range if the subsidiaries fail to fulfill the obligation of repayment.
Explanations on external guarantee against regulated procedures	N/A

## (2) Illegal external guarantee

☐ Applicable    ☒ Not applicable

No Illegal external guarantee in the report period.

## 3. Entrust cash asset management to others

### (1) Entrusted asset management

☐ Applicable    ☒ Not applicable

The Company had no entrusted asset management in the report period.

### (2) Entrusted loans

☐ Applicable    ☒ Not applicable

The Company had no entrusted loans in the report period.

## 4. Other material contracts

☐ Applicable    ☒ Not applicable

No other material contracts for the Company in the report period.

## XVIII. Social responsibilities

### 1. Performance of social responsibility for targeted poverty alleviation

PV Poverty alleviation is one of the important strategies of national targeted poverty alleviation. This policy can realize long-term stable income increase of poverty stricken families, combine poverty alleviation development and energy utilization, industrial transformation and make energy development achievement better benefit social public.

As an influential domestic solar energy PV enterprise, the Company actively participated in PV poverty alleviation projects. In 2016, the Company, in the role of “EPC”, respectively undertook the construction of village-level power station of Daling Village and Dashi Village in Chongyang County, Xianning City, successfully realized combination to the grid, effectively improved local villagers’ production and living condition, and was well received by local villagers. The Company has contributed to targeted poverty alleviation and improving ecological environment.

### 2. Performance of other social responsibilities

2016 *Annual Social Responsibilities Report of CSG* was the 9th year the Company consecutively released social responsibilities report. The report emphasized the year of 2016, systemically formulated the Company 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).

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department

Name of Company or subsidiary	Name of major pollutants and characteristic contaminants	Way of emission	Number of Exhaust vent	Exhaust vent distribution	Emission concentration	Implementation of pollutant emission standards	Total emission	Approved total emission	Excessive emissions
Xianning CSG Glass Co., Ltd.	Dust \ soot \ SO <sub>2</sub> \ nitrogen oxide	Discharge after the treatment of denitrification and dust removal	16	Chimney	Dust ≤ 30mg/m <sup>3</sup> ; soot ≤ 40 mg/m <sup>3</sup> ; SO <sub>2</sub> ≤ 200 mg/m <sup>3</sup> ; NO <sub>x</sub> ≤ 350 mg/m <sup>3</sup> ;	《Emission standard of air pollutants for flat glass industry》 (GB26453-2011)	Dust < 17t/a; soot ≤ 56 t/a; SO <sub>2</sub> ≤ 280t/a; NO <sub>x</sub> ≤ 490t/a;	Dust: 17.25t/a soot: 79.57t/a SO <sub>2</sub> : 636.5t/a nitrogen oxide: 1113.89t/a	Reach the discharge standard.

Whether the Company has issued social responsibility report or not

√Yes   □ No

Enterprise Social Responsibility Report					
Enterprise nature	Whether the information of environment is contained or not	Whether the information of society is contained or not	Whether the information of corporate governance is contained or not	Report disclosure standard	
				Domestic standard	Foreign standard
Other	Yes	Yes	Yes	Guide for Normative Operation of Shenzhen Stock Exchange Listed Companies	

Particulars

1. Whether the Company has passed environmental management system certification (ISO14001)	Holding subsidiaries and sub-subsidiaries as Dongguan Solar Energy, Chengdu Engineering, Dongguan PV, etc. have passed environmental management system certification.
2. Annual expenditure on environmental protection (RMB'0000)	5943.29
3. Performance of emission reduction of "waste gas, wastewater, waste slag"	The emission of three-waste of the Company meets the environmental protection standard and passes environmental acceptance.
4. Expenditure on improvement of personal knowledge and skill of employees to improve vocational development ability (RMB'0000)	254.69
5. Social commonweal donation (fund, material, free professional service) (RMB'0000)	77.63

## XIX. Statement on other important matters

√Applicable    □ Not applicable

### 1. Non-public offering of A-share

The Company convened the first interim shareholders' meeting on July 2, 2015, which deliberated and approved *the Proposal of Non-public Offering of A-share to Specific Investors* and related Proposals. The resolution on the non-public offering of shares of the Company was valid within twelve months after it has been approved by the shareholders' meeting.

As of July 2, 2016, the Company's proposal of non-public offering of A-share hadn't obtained a written approval document from the China Securities Regulatory Commission. As a result, the proposal of non-public offering of A-share was lapsed automatically according to the related provisions of China Securities Regulatory Commission and Shenzhen Stock Exchange. The Company publicized the *Accouchement of CSG on the Expiration of the Proposal of Non-public Offering of A-share* (Announcement No.:2016-030).

Afterwards, the Company and the sponsor institution respectively submitted the application for withdrawing the application for non-public offering of shares. On Feb. 7, 2017, the Company received the *Notification of China Securities Regulatory Commission on Terminating the Application for Administration Permission* (No.[2017]17), according to which, China Securities Regulatory Commission decided to terminate the examination of the Company's application for non-public offering of shares. The Company publicized the *Announcement on Receiving the Notification of China Securities Regulatory Commission to Terminate the Application for Administration Permission* (Announcement No.:2017-009).

### 2. Short-term Financing Bills

On 23 April 2013, annual general meeting of 2012 of CSG Holding Co., Ltd deliberated and approved the proposal of short-term financing bills offering, agreed the application of issuing short-term financing bills with a total amount of no more than 40 percent of the Company's net assets (the issued short-term financing bills included). On 20 December 2013, National Association of Financial market Institutional Investors held its 74th 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 for two 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 short-term financing bills with a total amount of RMB 0.5 billion and deadline of one year, which was redeemed on 14 March 2015. On 22 April 2015, the Company issued the 1st batch of short-term financing bills for the year of 2015 with a total amount of RMB 0.6 billion and annual interest rate of 4.28%, and the expiry date is 23 April 2016. On 16-17 September 2015, the Company issued the 2nd batch of short-term financing bills for the year of 2015 with a total amount of RMB 0.4 billion and annual interest rate of 3.50%, and the expiry date is 17 September 2016.

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

On Dec.14, 2016, the second extraordinary shareholders' general meeting of 2016 of CSG deliberated and approved the proposal of the offering and registration of short-term financing bills, and agreed the Company's registration and issuance of short-term financing bills with a total amount of RMB 2.7 billion, which could be issued by stages within period of validity of the registration according to the Company's actual demands for funds and the status of inter-bank funds. However, the term of each issue shall not be longer than one year and the registered quota shall not exceed 40 percent of the Company's net assets.

### 3. Ultra-short-term financing bills

On 10 December 2014, the First Extraordinary Shareholders' General Meeting 2014 of CSG Holding Co., Ltd deliberated and approved the proposal of application for registration and issuance of ultra-short-term financing bills with registered capital of RMB 4 billion at most and validity within 2 years. On 21 May 2015, National Association of Financial Market Institutional Investors



(NAFMII) held the 32nd registration meeting of 2015, in which NAFMII decided to accept the registration of the Company's ultra-short-term financing bills, amounting to RMB 4 billion and valid for two years. China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China CITIC Bank Co., Ltd. and China Agriculture Bank Co., Ltd. were joint lead underwriters of these ultra-short-term financing bills, which could be issued by stages within period of validity of the registration. On 12 June 2015, the Company issued the first batch of ultra-short-term financing bills for the year of 2015 with total amount of RMB 0.8 billion and valid term of 270 days at the issuance rate of 4.25%, which was redeemed on 11 March 2016. On 13 October 2015, the Company issued the second batch of ultra-short-term financing bills for the year of 2015 with total amount of RMB 1.1 billion and valid term of 270 days at the issuance rate of 3.81%, which will be redeemed on 11 July 2016. On 10 March 2016, the Company issued the first batch of ultra-short-term financing bills for the year of 2016 with total amount of RMB 0.8 billion and valid term of 270 days at the issuance rate of 3.15%, which will be redeemed on 6 December 2016. On 17 May 2016, the Company issued the second batch of ultra-short-term financing bills for the year of 2016 with total amount of RMB 0.9 billion and valid term of 270 days at the issuance rate of 4.18%, which will be redeemed on 10 February 2017. On 2 August 2016, the Company issued the third batch of ultra-short-term financing bills for the year of 2016 with total amount of RMB 0.6 billion and valid term of 270 days at the issuance rate of 3.67%, which will be redeemed on 1 May 2017. On Sep. 1, 2016, the Company issued the forth batch of ultra-short-term financing bills for the year of 2016 with total amount of RMB 0.5 billion and valid term of 270 days at the issuance rate of 3.5%, which will be redeemed on 2 June 2017.

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

#### 4. Perpetual bonds

On April 15, 2016, the Shareholders' General Meeting 2015 of CSG deliberated and approved the proposal of application for registration and issuance of perpetual bonds, and agreed the Company to register and issue perpetual bonds with total amount of RMB 3.1 billion which could be issued by stages within period of validity of the registration according to the Company's actual demand for funds and the capital status of inter-bank market.

#### 5. Medium-term notes

On 10 December 2014, the First Extraordinary Shareholders' General Meeting 2014 of CSG Holding Co., Ltd deliberated and approved the proposal of application for registration and issuance of medium term notes with total amount of RMB 1.2 billion at most. On 21 May 2015, National Association of Financial Market Institutional Investors (NAFMII) held the 32<sup>nd</sup> registration meeting of 2015, in which NAFMII decided to accept the registration of the Company's medium term notes, amounting to RMB 1.2 billion and valid for two years. China Merchants Bank Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. were joint lead underwriters of these medium term notes which could be issued by stages within period of validity of the registration. On 10 July 2015, the Company issued the first batch of medium term notes with total amount of RMB 1.2 billion and valid term of 5 years at the issuance rate of 4.94%, which will be redeemed on 14 July 2020.

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

on April 15, 2016, the Shareholders' General Meeting of 2015 of CSG deliberated and approved the proposal of application for registration and issuance of medium term notes with total amount of RMB 0.8 billion, which could be issued by stages within period of validity of the registration according to the Company's actual demands for funds and the status of inter-bank funds.

#### 6. Important changes of personnel of the Company

On Nov. 15, 2016, the Company received the resignation report submitted by the ex-chairman Zeng Nan, CEO Wu Guobin and other senior management. The Company publicized *Risk Reminder Announcement on Future Important Changes of Personnel of the Company* (Announcement No.:2016-052) and other notices respectively on Nov. 16, 2016 and Nov. 17 2016. On Nov. 19, 2016, the Company convened the interim meeting of the 7<sup>th</sup> session of the Board of Directors which deliberated and approved the *Resolution*

on *Selecting the Chairman of the Board of the Company* and other resolutions. Thus, Chen Lin was elected as the Chairman of the 7<sup>th</sup> session of the Board of Directors and she would implement responsibilities on behalf of the chief executive officer. Refer to the *Announcement of the Resolution of the Interim Meeting of the 7<sup>th</sup> Session of Board of Directors* (Announcement No.:2016-058) disclosed by the Company on Nov. 21, 2016. On Feb. 23, 2017, the Company convened the interim meeting of the 7<sup>th</sup> session of Board of Directors which deliberated and approved *the Resolution on Employ the Senior Management* and formally employ Mr. Pan Yonghong, Mr. Lu Wenhui and Mr. Li Wennan to hold the post of the chief executive officer, executive vice president and vice president of the Company respectively. Refer to *the Announcement of the Resolution of the Interim Meeting of the 7<sup>th</sup> Session of Board of Directors* (Announcement No.:2017-014) disclosed by the Company on Feb. 23, 2017.

On Nov. 16, 2016, the Company received the resignation report submitted by the independent directors of the Company, Zhang Jianjun and Du Wenjun. The Company publicized *the Announcement on Resignation of the Company's Independent Directors* (Announcement No.:2016-053) on Nov. 17, 2016. On Dec. 14, 2016, the Company convened the second interim shareholders' meeting of 2016 and newly elected Jin Qingjun and Zhan Weizai to serve as the independent directors of the 7<sup>th</sup> session of the Board of Directors. Refer to *the Announcement of the Resolution of the Second Interim Shareholders' Meeting of 2016* (Announcement No.:2016-074) disclosed by the Company on Dec. 15, 2016.

On Dec. 5, 2016, the Company received the resignation report submitted by the supervisors of the Company, Mr. Long Long and Mr. Hong Guo'an and the employee supervisor Mr. Yan Wendou. The Company publicized *the Announcement on Resignation of the Company's Supervisors* (Announcement No.:2016-070) on Dec. 6, 2016. On Jan. 11, 2017, the Company convened the First Meeting of Employee Representatives of 2017 and selected Mr. Zhao Peng as the employee representative supervisor of the Company. Refer to *the Announcement of Change in Employee Supervisor* (Announcement No.:2017-002) disclosed by the Company on Jan. 12, 2017. On Jan. 13, 2017, the Company convened the First Extraordinary Shareholders' Meeting of 2017 and newly elected Zhang Wandong and Li Xinjun to serve as the supervisors of the 7<sup>th</sup> session of Supervisory Committee. Refer to *the Announcement of the First Extraordinary Shareholders' Meeting of 2017* (Announcement No.:2017-003) disclosed by the Company on Jan. 14, 2017.

For the details of the aforesaid personnel, refer to the Section VII of the report "Particulars about Directors, Supervisors, Senior Executives and Employees".

## XX. Significant events of subsidiaries of the Company

☐ Applicable    ☒ Not applicable

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

### I. Changes in Share Capital

Unit: Share

	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	8,679,666	0.42%				4,057,222	4,057,222	12,736,888	0.61%
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	8,679,666	0.42%				4,057,222	4,057,222	12,736,888	0.61%
Including: Domestic legal person's shares	0	0%				0	0	0	0%
Domestic natural person's shares	8,679,666	0.42%				4,057,222	4,057,222	12,736,888	0.61%
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	2,066,655,894	99.58%				-4,057,222	-4,057,222	2,062,598,672	99.39%
1. RMB Ordinary shares	1,304,071,902	62.84%				-3,943,222	-3,943,222	1,300,128,680	62.65%
2. Domestically listed foreign shares	762,583,992	36.75%				-114,000	-114,000	762,469,992	36.74%
3. Overseas listed foreign shares	0	0%							
4. Others	0	0%							
III. Total shares	2,075,335,560	100%				0	0	2,075,335,560	100%

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer for changed shares

☐ Applicable ☒ Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in the latest year and period

☐ Applicable ☒ Not applicable

Other information necessary to be disclosed or need to be disclosed under requirement from security regulators

□Applicable    √ Not applicable

**2. Changes of restricted shares**

√Applicable    □ Not applicable

Unit: Share

Shareholder s' name	Number of shares restricted at Period-begin	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Period-end	Restriction reasons	Released date
Zeng Nan	3,375,291	0	1,125,097	4,500,388	On 15 November 2016, Zeng Nan who used to be chairman of the Board of Directors of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Wu Guobin	1,357,500	0	452,500	1,810,000	On 15 November 2016, Wu Guobin who used to be CEO of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Luo Youming	1,342,500	0	447,500	1,790,000	On 15 November 2016, Luo Youming who used to be CFO of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Ke Hanqi	1,297,500	0	432,500	1,730,000	On 15 November 2016, Ke Hanqi who used to be vice president of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Zhang Fan	1,147,500	0	382,500	1,530,000	On 15 November 2016, Zhang Fan who used to be vice president of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Zhang Bozhong	0	0	114,000	114,000	On 15 November 2016, Zhang Bozhong who used to be vice president of the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	2017-5-16
Ding Jiuru	0	0	1,050,000	1,050,000	On 15 November 2016, Ding Jiuru who used to be Secretary of the Board of Directors of	2017-5-17

					the Company resigned from his office. According to relevant requirements, all the shares held by him had to be locked up for six months.	
Zhou Hong	159,375	0	53,125	212,500	On 12 August 2016, Zhouhong who used to be Secretary of the Board of Directors of the Company resigned from her office. According to relevant requirements, all the shares held by her had to be locked up for six months.	2017-2-13
Total	8,679,666	0	4,057,222	12,736,888	--	--

## II. Issuance and listing of Securities

### 1. Security issued (excluding preferred stock) in the report period

☐ Applicable ☒ Not applicable

### 2. Particulars about changes of total shares and shareholder structure as well as changes of assets and liability structure

☐ Applicable ☒ Not applicable

### 3. Existing internal staff shares

☐ Applicable ☒ Not applicable

## 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 at the end of the report period	169,987	Total shareholders at the end of the month before this annual report disclosed	168,029	Total preference shareholders with voting rights recovered at end of report period (if applicable)	N/A	Total preference shareholders with voting rights recovered at end of the month before this annual report disclosed (if applicable)	N/A	
Shareholder with above 5% shares hold or top 10 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	Amount of un-restricted shares held	Number of share pledged/frozen	
							Share	Amount

					shares held		status	
Foresea Life Insurance Co., Ltd. – Haili Niannian	Domestic non state-owned legal person	15.45%	320,595,892	90,642,217		320,595,892		
Foresea Life Insurance Co., Ltd. – Universal Insurance Products	Domestic non state-owned legal person	3.92%	81,405,744	0		81,405,744		
Shenzhen Jushenghua Co., Ltd.	Domestic non state-owned legal person	2.87%	59,552,120	0		59,552,120	pledged	59,552,100
Foresea Life Insurance Co., Ltd. – Own Fund	Domestic non state-owned legal person	2.15%	44,519,788	0		44,519,788		
Central Huijin Asset Management Ltd.	State-owned legal person	1.92%	39,811,300	0		39,811,300		
China Merchants Securities (HK) Co., Limited	State-owned legal person	1.45%	30,117,055	20,436,004		30,117,055		
China North Industries Corporation	State-owned legal person	1.39%	28,800,000	-46,367,934		28,800,000		
China Galaxy International Securities (Hong Kong) Co., Limited	Foreign legal person	1.38%	28,692,212	-380,400		28,692,212		
Shenzhen International Holdings (SZ) Limited	Domestic non state-owned legal person	0.96%	20,000,000	-17,040,200		20,000,000		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.64%	13,280,792	0	0	13,280,792		
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	<p>Among shareholders as listed above, Foresea Life Insurance Co., Ltd.-Haili Niannian, Foresea Life Insurance Co., Ltd.-Universal Insurance Products, Foresea Life Insurance Co., Ltd.-Own Fund are all held by Foresea Life Insurance Co., Ltd. Shenzhen Jushenghua Co., Ltd. is a related legal person of Foresea Life Insurance Co., Ltd. and Chengtai Group Co., Ltd., another related legal person of Foresea Life Insurance Co., Ltd, which held 27,625,299 shares via China Galaxy International Securities (Hong Kong) Co., Limited.</p> <p>Except for the above-mentioned shareholders, It is unknown whether other shareholders</p>							

	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
Foresea Life Insurance Co., Ltd. – Haili Niannian	320,595,892	RMB ordinary shares	320,595,892
Foresea Life Insurance Co., Ltd. – Universal Insurance Products	81,405,744	RMB ordinary shares	81,405,744
Shenzhen Jushenghua Co., Ltd.	59,552,120	RMB ordinary shares	59,552,120
Foresea Life Insurance Co., Ltd. – Own Fund	44,519,788	RMB ordinary shares	44,519,788
Central Huijin Asset Management Ltd.	39,811,300	RMB ordinary shares	39,811,300
China Merchants Securities (HK) Co., Limited	30,117,055	Domestically listed foreign shares	30,117,055
China North Industries Corporation	28,800,000	RMB ordinary shares	28,800,000
China Galaxy International Securities (Hong Kong) Co., Limited	28,692,212	Domestically listed foreign shares	28,692,212
Shenzhen International Holdings (SZ) Limited	20,000,000	RMB ordinary shares	20,000,000
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,280,792	Domestically listed foreign shares	13,280,792
Statement on associated relationship or consistent action among the above shareholders:	Among shareholders as listed above, Foresea Life Insurance Co., Ltd.-Haili Niannian, Foresea Life Insurance Co., Ltd.-Universal Insurance Products, Foresea Life Insurance Co., Ltd.-Own Fund are all held by Foresea Life Insurance Co., Ltd. Shenzhen Jushenghua Co., Ltd. is a related legal person of Foresea Life Insurance Co., Ltd. and Chengtai Group Co., Ltd., another related legal person of Foresea Life Insurance Co., Ltd, which held 27,625,299 shares via China Galaxy International Securities (Hong Kong) Co., Limited.  Except for the above-mentioned shareholders, 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		

Buy back deals carried out by the shareholders in the report period

☐ Yes ☒ No

There were no buy back deals carried out by the shareholders in the report period.

## 2. Controlling shareholder of the Company

Not exist

Explanation on the Company without controlling shareholder

Currently the Company has no controlling shareholder. Foresea Life Insurance Co., Ltd. is the Company's largest shareholder that has totally held 452,021,277 shares of the Company via Foresea Life Insurance Co., Ltd.–Haili Niannian, Foresea Life Insurance Co., Ltd.–universal insurance products, Foresea Life Insurance Co., Ltd.–own fund, Foresea Life Insurance Co., Ltd.–a combination of its own funds together with Huatai till the end of the report period, which accounts for 21.78% of the Company's total shares; its related legal person Shenzhen Jushenghua Co., Ltd. held 59,552,120 shares, which accounts for 2.87% of the Company's total shares; its related legal person Chengtai Group Co., Ltd. held 35,544,999 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.71% of the Company's total shares. Foresea Life Insurance and its related legal persons totally held 26.36% of the Company's total shares, which is less than 30%, meanwhile, the number of directors recommended by Foresea Life Insurance and its related legal persons was no more than half of total number of the Company's board of directors.

Other shareholders of the Company hold less than 5% of the shares.

Changes of controlling shareholders in the report period

☐ Applicable ☒ Not applicable

## 3. Actual controller of the Company

Not exist

Explanation on the Company without actual controller

Currently the Company has no controlling shareholder. Foresea Life Insurance Co., Ltd. is the Company's largest shareholder that has totally held 452,021,277 shares of the Company via Foresea Life Insurance Co., Ltd.–Haili Niannian, Foresea Life Insurance Co., Ltd.–universal insurance products, Foresea Life Insurance Co., Ltd.–own fund, Foresea Life Insurance Co., Ltd.–a combination of its own funds together with Huatai till the end of the report period, which accounts for 21.78% of the Company's total shares; its related legal person Shenzhen Jushenghua Co., Ltd. held 59,552,120 shares, which accounts for 2.87% of the Company's total shares; its related legal person Chengtai Group Co., Ltd. held 35,544,999 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.71% of the Company's total shares. Foresea Life Insurance and its related legal persons totally held 26.36% of the Company's total shares, which is less than 30%, meanwhile, the number of directors recommended by Foresea Life Insurance and its related legal persons was no more than half of total number of the Company's board of directors.

Shareholders with over 10% shares held in ultimate controlling level

☒ Yes ☐ No

Legal person

Shares held in ultimate controlling level

Shareholders	Nationality	Whether to obtain the right of abode in other countries or regions
Yao Zhenhua	China	No
Major occupations and duties	Take post of chairman of Shenzhen Baoneng Investment Group Co., Ltd.	



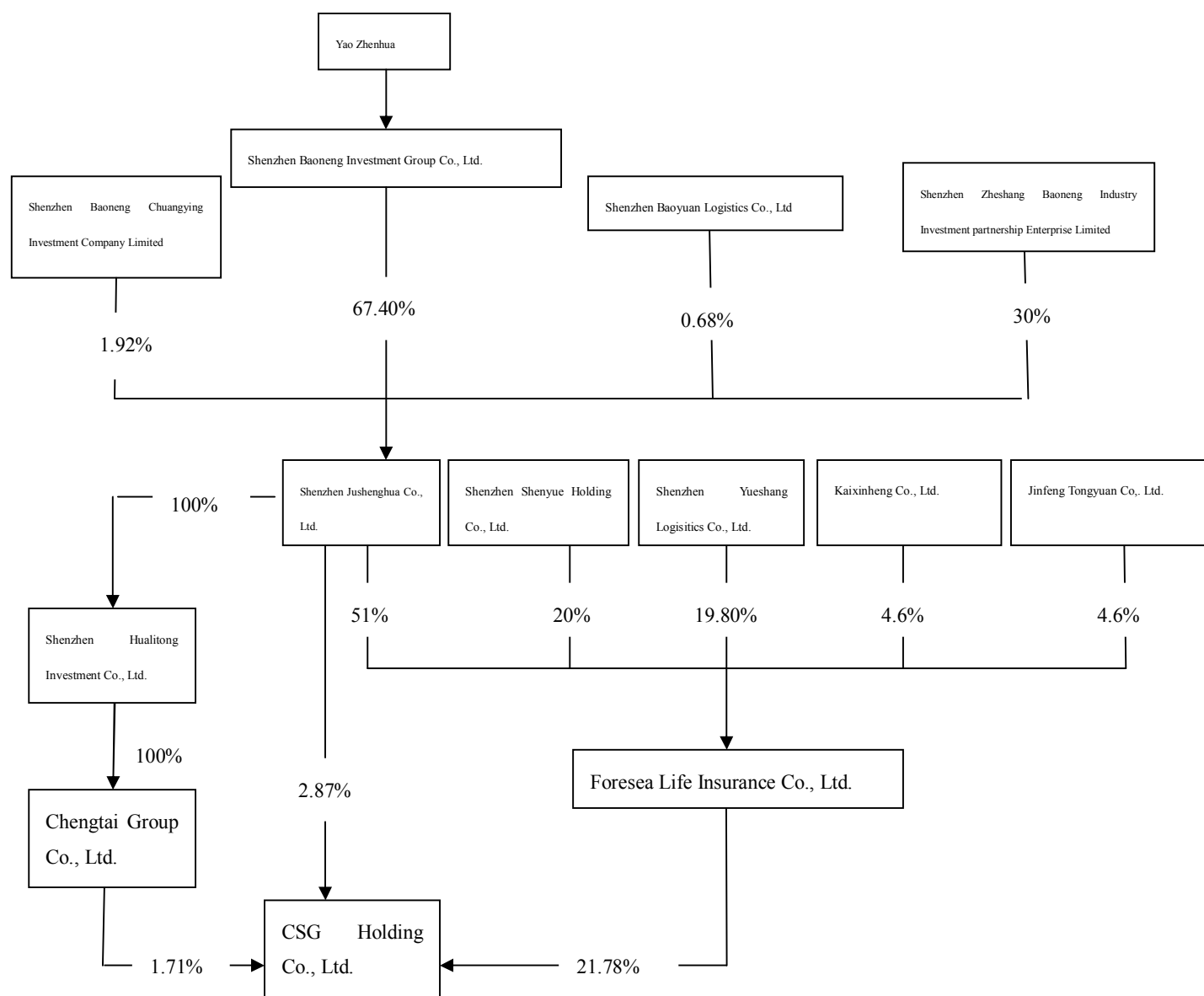
Situation of holding domestic and abroad listed companies over the past 10 years	N/A
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Changes of actual controller in the report period

☐ Applicable    ☒ Not applicable

There was no change of actual controller of the Company in the report period.

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

**4. Particulars about other legal person shareholders holding over 10% shares**

☐ Applicable    ☒ Not applicable

**5. Limitation on share reduction of controlling shareholders, actual controllers, Recombination party and other commitment subjects**

☐ Applicable    ☒ Not applicable

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end(Share)
Chen Lin	Chairman of the Board,	Currently in office	Female	45	2016-11-19	2017-5-2					
Fu Qilin	Independent Director	Currently in office	Male	62	2012-4-17	2017-5-2					
Jin Qingjun	Independent Director	Currently in office	Male	60	2016-12-14	2017-5-2					
Zhai Weizai	Independent Director	Currently in office	Male	53	2016-12-14	2017-5-2					
Wang Jian	Director	Currently in office	Male	53	2016-1-21	2017-5-2					
Ye Weiqing	Director	Currently in office	Female	45	2016-1-21	2017-5-2					
Cheng Xibao	Director	Currently in office	Female	35	2016-1-21	2017-5-2					
Zhang Wandong	Supervisory Committee	Currently in office	Female	48	2017-1-13	2017-5-2					
Li Xinjun	Supervisor	Currently in office	Male	49	2017-1-13	2017-5-2					
Zhao Peng	Supervisor	Currently in office	Male	55	2017-1-11	2017-5-2					
Pan Yonghong	CEO	Currently in office	Male	48	2017-2-23	2017-5-2					
Lu Wenhui	Executive Vice President	Currently in office	Male	54	2017-2-23	2017-5-2					

Li Wennan	Vice president	Currently in office	Male	55	2017-2-23	2017-5-2					
Zeng Nan	Chairman of the Board, Director of strategic and operational management committee	Post leaving	Male	72	2008-4-10	2016-11-15	4,500,388	0	0	0	4,500,388
Zhang Jianjun	Independent Director	Post leaving	Male	52	2011-4-15	2016-12-14					
Du Wenjun	Independent Director	Post leaving	Female	48	2014-4-15	2016-12-14					
Wu Guobin	Director/CEO	Post leaving	Male	52	2014-4-15	2016-11-15	1,810,000	0	0	0	1,810,000
Long Long	Chairman of the Supervisory Committee	Post leaving	Male	61	2011-4-15	2017-1-13					
Hong Guo'an	Supervisor	Post leaving	Male	62	2011-4-15	2017-1-13					
Yan Wendou	Supervisor	Post leaving	Male	49	2014-3-15	2017-1-11					
Luo Youming	Chief Financial Officer	Post leaving	Male	54	2005-11-22	2016-11-15	1,790,000	0	0	0	1,790,000
Ke Hanqi	Vice president	Post leaving	Male	51	2015-5-18	2016-11-15	1,730,000	0	0	0	1,730,000
Zhang Fan	Vice president	Post leaving	Male	51	2012-12-3	2016-11-15	1,530,000	0	0	0	1,530,000
Hu Yong	Vice president	Post leaving	Male	39	2016-3-23	2016-11-15					
Zhang Bozhong	Vice president	Post leaving	Male	52	2016-5-20	2016-11-15	114,000	0	0	0	114,000
Zhou Hong	Secretary of the Board	Post leaving	Female	51	2012-3-23	2016-8-12	212,500	0	0	0	212,500
Ding Jiuru	Secretary of the Board	Post leaving	Male	54	2016-8-12	2016-11-16	1,156,375	0	106,375	0	1,050,000
Total	--	--	--	--	--	--	12,843,263	0	106,375	0	12,736,888

## II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Chen Lin	Chairman of Board	Be elected	Nov. 19, 2016	Election of chairman of board
Jin Qingjun	Independent Director	Be elected	Dec. 14, 2016	By-election of independent director
ZhanWeizai	Independent Director	Be elected	Dec. 14, 2016	By-election of independent director
Zhang Wandong	Chairman of the Supervisory Committee	Be elected	Jan. 13, 2017	By-election of supervisor
Li Xinjun	Supervisor	Be elected	Jan. 13, 2017	By-election of supervisor
Zhao Peng	Supervisor	Be elected	Jan. 11, 2017	Election of employee supervisor
Pan Yonghong	Chief Executive Officer	Be employed	Feb. 23, 2017	Senior management employed by the Board of Directors
Lun Wenhui	Vice Executive President	Beemployed	Feb. 23, 2017	Senior management employed by the Board of Directors
Li Weinan	Vice President	Be employed	Feb. 23, 2017	Senior management employed by the Board of Directors
Zeng Nan	Chairman of Board	Post leaving	Nov. 15, 2016	Resigned
Wu Guobin	Director/ChiefExecutive Officer	Post leaving	Nov. 15, 2016	Resigned
Zhang Jianjun	Independent Director	Post leaving	Dec. 14, 2016	Resigned
Du Wenjun	Independent Director	Post leaving	Dec. 14, 2016	Resigned
Long Long	Chairman of Supervisory Committee	Post leaving	Jan. 13, 2017	Resigned
Hong Guo'an	Supervisor	Post leaving	Jan. 13, 2017	Resigned
Yan Wendou	Superior	Post leaving	Jan. 11, 2017	Resigned
Luo Youming	Chief Financial Officer	Dismissal	Nov. 15, 2016	Resigned
Ke Hanqi	Vice President	Dismissal	Nov. 15, 2016	Resigned
Zhang Fan	Vice President	Dismissal	Nov. 15, 2016	Resigned
Hu Yong	Vice President	Dismissal	Nov. 15, 2016	Resigned
Zhang Bozhong	Vice President	Dismissal	Nov. 15, 2016	Resigned
Zhou Hong	Secretary of the Board	Dismissal	Aug. 12, 2016	Resigned
Ding Jiuru	Secretary of the Board	Dismissal	Nov. 16, 2016	Resigned

## III. Post-holding

Major professional background, working experience of directors, supervisors and senior executive and their major responsibility in the Company at present

**Chen Lin:** took posts of the General Manager's Secretary in Shenzhen Juhua Investment and Development Co., Ltd., Department Manager and General Manager Assistant in Shenzhen Shum Yip Logistics Group Co., Ltd. At present, she is the Chairman of Board of Supervisors of Foresea Life Insurance Co., Ltd. and that of Xinjiang-Qianhai Joint Property Insurance Co., Ltd, the Executive Director of Shenghua Credit Co., Ltd, the Chairman of Board of Shenzhen Baoyuan Logistics Co., Ltd, the Vice Chairman of Board of Baoneng Holding (China) Co., Ltd, the Supervisor of Shenzhen Jushenghua Industrial Development Co., Ltd., the Director of Guangdong Shaoneng Group Company Limited and the Chairman of the Board of Directors of the Company.

**Fu Qilin:** took posts of the Dean of Law School of Jinan University and the 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, the part-time lawyer of Beijing W& H Law Firm, the Independent Director of Guanhao Biotech Co., Ltd. and the Independent Director of the Company.

**Jin Qingjun:** took posts of the lawyer of Zhongxin Lawyer Firm and the partner of Xinda Lawyer Firm. He currently serves as the partner of King & Wood Mallesons, the Independent Director of Invesco Great Wall Fund Management Company Limited, Gemdale Corporation, Guo Tai Jun An Securities and Bank of Tianjin Co., Ltd, the Director of Konka Group Co., Ltd, the External Supervisor of China Merchants Bank Co., Ltd, and the Independent Director of the Company.

**Zhan Weizai:** took posts of the Vice Manager of the financial department of Donghui Industrial Co., Ltd, the Assistant of the General Manager of Shenzhen Xili Hotel, the Director and Chief Financial Officer of Shenzhen Qiaoshi Industrial Co., Ltd., the Leader of the audit & law department of Shenzhen Truism (Group) Company and the Vice General Manager of Sinosafe General Insurance Company Limited. He currently holds the post of the Supervisor of Shenzhen Wode Industrial Development Co., Ltd, and Shenzhen Wode Investment Development Co., Ltd, the Chairman of Board and Manager of Huazhang Investment Holding Co., Ltd, the Independent Director of Shenzhen Neptunus Bioengineering Co., Ltd., Hubei Zhenhua Chemical Co., Ltd, Shenzhen Longood Intelligent Electric Co., Ltd., Shenzhen Liantronics Co., Ltd and the Company.

**Wang Jian:** took posts of the General Manager and Executive Director of China North Industries Tianjin Corporation, the Director and General Manager and senior consultant of China North Vehicle Co., Ltd., and the Vice Chairman and Chairman of Shanghai Nonferrous Metals E-Commerce Co., Ltd. At present, he is the General Manager of investment management department of China North Industries Corporation, the Chairman of Board of Chengdu Yinhe Dynasty Hotel Co., Ltd., the Vice Chairman of Shenzhen Baoyin Electricity Co., Ltd., the Chairman of Board of North Property Development Company Limited and the Director of the Company.

**Ye Weiqing:** took posts of the Financial Administrator, Senior Vice President and Director in Shenzhen Baoneng Investment Group Co., Ltd. At present, she is the Chairman of Board and General Manager of Shenzhen Jushenghua Co., Ltd., the Director of Foresea Life Insurance Co., Ltd., the Chairman of Board and General Manager of Baoneng Real Estate Co., Ltd., the Executive Director of Baoneng South China Investment Co., Ltd, the Executive Director and General Manager of Shenzhen Shining Asset Management Co., Ltd, the Executive Director and General Manager of Shenzhen Zhonglin Properties and Investment Co., Ltd, the Executive Director and General Manager of Qianhai E-payment Co., Ltd, the Chairman of Board and General Manager of Shenzhen Laihua Property Development Co., Ltd, the Chairman of Board and the General Manager of Shenzhen Liujin Plaza Investment Co., Ltd, the Chairman of Board and the General Manager of Shenzhen Shum Yip Logistics Center Investment Development Co., Ltd, the Chairman of Board and the Director of Shenzhen Baoneng Jianye Property Co., Ltd, the Chairman of Board and the General Manager of Shenzhen Baoneng Century Property Development Co., Ltd, the Chairman of Board and General Manager of All City Co., Ltd, the Chairman of Board and General Manager of Shenzhen Hualitong Investment Co., Ltd, the Director of Shenzhen Baoyuan Logistics Co., Ltd, the Chairman of Board of Baoneng Hotel Investment Co., Ltd, the Chairman of Board of Qinglan Industry (Shenzhen) Co., Ltd, the Chairman of Board and General Manager of Shenzhen Zhonglin Industry Development Co., Ltd, the Director of Shenzhen Baoneng Investment Group Co., Ltd, the Director of Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd, the Chairman of Board of Shenzhen Baoneng Property Development Co., Ltd, and the Director of Shenzhen Shum Yip Logistics Group Co., Ltd. and the Director of the Company.

**Cheng Xibao:** took posts of the Deputy Manager and Manager of financial department of Huizhou Olympic Garden Co., Ltd., which

is a subsidiary of China Sports Group Industry, the Manager of financial department of Shenzhen Xuansheng Investment Co., Ltd., which is a subsidiary of Foxconn, and the Manager, Vice President, Executive Vice President and the Assistant of President of the financial department of Shenzhen Baoneng Investment Group Co., Ltd. At present, she is the Assistant of the President and Chief Financial Officer of Shenzhen Jushenghua Co., Ltd., the Supervisor of Xinjiang-Qianhai Joint Property Insurance Co., Ltd. and the Director of the Company.

**Zhang Wandong:** took the post of the certified lawyer of Grandall (Shenzhen) Law Firm. She currently serves as the certified lawyer of Guangdong Shu Jin Law Firm, the Supervisor of Zhejiang Ruizhen Logistics Co., Ltd., Shanghai Jiajin Logistics Co., Ltd. and Zhejiang Ruizhen Supply China Management Co., Ltd. and Shenzhen Qianhai Heyi Information Consultation Co., Ltd., the Director of Shenzhen Sinotrix Software Co., Ltd. and the Chairman of Supervisory Committee of the Company.

**Li Xijun:** took the post of the Chief Financial Officer of Shenzhen Zhongshanglong Industrial Co., Ltd. He currently serves as the General Manager of Shenzhen Renda Certified Tax Agent Co., Ltd. and the Supervisor of Zhongzhun Certified Public Accountants (Shenzhen) Office and the Company.

**Zhao Peng:** took posts of the Assistant of the Chairman of Board of Shenzhen Wanji Group Co., Ltd., the Vice General Manager and General Manager of Shenzhen Engineering, a subsidiary of the Company, the Assistant of the General Manager and Vice General Manager of Wujiang Engineering, a subsidiary of the Company, the Assistant of the General Manager of Tianjin Engineering, the original subsidiary of the Company and the Manager of the Research, Development and Investment Management Department, the Operation Management Department and the Strategy Development Department of the Company. He currently holds the post of the Director of the Strategy and Investment Management Department of the Company and the Employee Supervisor of the Company.

**Pan Yonghong:** took posts of the Director, Chief Financial Officer and General Manager of China Resources Cement Investment Limited, the General Manager and President of China Resources Cement Holdings Limited and the Senior Vice President of China Resources Asset Management Limited. He currently serves as the Chief Executive Officer of the Company.

**Lu Wenhui:** took posts of the Vice General Manager of the Company and the General Manager of the Float Glass Business Unit, the Vice President of the Company and the General Manager of Auto Glass Business Unit, the Chief Economist and the Manager of Enterprise Operation Department, the Vice President of Solar Energy Business Unit, the Vice President of the Company and the President of the Fine Glass Business Unit, and the President of Shenzhen Nanbo Display Technology Co., Ltd., a subsidiary of the Company. He currently serves as the Executive Vice President of the Company.

**Li Weinan:** took posts of the Manager of the Securities Investment Department and the Manager of the Operation Department of the Company, the Assistant of the President of the Company and the General Manager of Dongguan Solar Energy, a subsidiary of the Company, the General Manager of Dongguan Photovoltaic, the General Manager of Yichang SCG, the Executive Vice President of the Company and the President of Solar Energy Business Unit and the President of the Electric Glass and Display Business Unit. He currently holds the post of the Vice President 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
Chen Lin	Foresea Life Insurance Co., Ltd.	Chairman of Supervisory Committee	Apr. 2012	--	Yes
	Shenzhen Juhua Investment and Development Co., Ltd.	Supervisor	Jul. 2016	--	No
Wang Jian	China North Industrial Corporation	General Manager of investment and operation	Apr. 2012	--	Yes

		department			
Ye Weiqing	Shenzhen Jushenghua Co., Ltd.	Chairman of Board and General Manager	Nov. 2009	--	No
	Foresea Life Insurance Co., Ltd.	Director	Apr. 2012	--	No
Chen Xibao	Shenzhen Jushenghua Co., Ltd.	The Assistant of President and Chief Financial Officer	Mar. 2016	--	Yes
Note of post-holding in shareholder's 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 Lin	Xinjiang-Foresea Joint Property Insurance Co., Ltd.	Chairman of Supervisory Committee	May 2016	--	No
	Shenghua Credit Co., Ltd.	Executive Director	Sep. 2015	--	No
	Shenzhen Baoyuan Logistics Co., Ltd.	Chainman of Board	June 2010	--	No
	Baoneng Holding (China) Co., Ltd.	Vice Chairman of Board	Jan. 2006	--	No
	Guangdong Shaoneng Group Company Limited	Director	Nov. 2015	--	No
Fu Qilin	China University of Political Science & Law	Professor and Doctorial Adviser	Dec. 2011	--	Yes
	Beijing W& H Law Firm	Part-time lawyer	--	--	Yes
	Guanhao Biotech Co., Ltd.	Independent Director	May 2015	--	Yes
Jin Qingjun	King & Wood Mallesons	Partner	Sep. 2002	--	Yes
	Invesco Great Wall Fund Management Company Limited	Independent director	April 2003	--	Yes
	Gemdale Corporation	Independent director	April 2014	--	Yes
	Guo Tai Jun An Securities	Independent director	Jan. 2013	--	Yes
	Bank of Tianjin Co., Ltd.	Independent director	Mar. 2017	--	Yes
	Konka Group Co., Ltd.	Director	May 2015	--	Yes
	China Merchants Bank Co., Ltd.	External supervisor	Oct. 2014	--	Yes



Zhai Weizai	Shenzhen Dewo Investment Development Co., Ltd.	Supervisor	June 2010	--	No
	Shenzhen Dewo Investment Development Co., Ltd.	Supervisor	Sep. 2011	--	No
	Huazhang Investment Holding Co., Ltd.	Chairman of Board and manager	May 2011	--	Yes
	Shenzhen Neptunus Bioengineering Co., Ltd.	Independent director	Aug. 2013	--	Yes
	Hubei Zhenhua Chemical Co., Ltd.	Independent director	Mar. 2015	--	Yes
	Shenzhen Longood Intelligent Electric Co., Ltd.	Independent director	Oct. 2012	--	Yes
	Shenzhen Liantronics Co., Ltd.	Independent director	Nov. 2016	--	Yes
WangJian	Yinhe Dynasty Hotel Co., Ltd.	Chairman of Board	Apr. 2012	--	No
	Shenzhen Baoyin Electricity Co., Ltd.	Vice Chairman of Board	Sep. 2012	--	No
	North Property Development Company Limited	Chairman of Board	May 2014	--	No
Ye Weiqing	Baoneng South China Investment Co., Ltd.	Executive Director and General Manager	Jun. 2016	--	No
	Shenzhen Shining Asset Management Co., Ltd.	Executive Director and General Manager	Jun. 2015	--	No
	Shenzhen Zhonglin Properties and Investment Co., Ltd.	Executive Director and General Manager	May 2015	--	No
	Qianhai E-payment Co., Ltd.	Executive Director and General Manager	Jun. 2014	--	No
	Shenzhen Laihua Property Development Co., Ltd.	Chairman of Board and General Manager	Nov. 2016	--	No
	Shenzhen Liujin Plaza Investment Co., Ltd.	Chairman of Board and General Manager	Feb. 2014	--	No
	Shenzhen Shum Yip Logistics Center Investment Development Co., Ltd.	Chairman of Board and General Manager	Feb. 2014	--	No
	Shenzhen Baoneng Jianye Property Co., Ltd.	Director	Aug. 2013	--	No
	Shenzhen Baoneng Century Property Development Co., Ltd.	Chairman of Board and General Manager	Jul. 2013	--	No
	All City Co., Ltd.	Chairman of Board and General Manager	Apr. 2013	--	No
	Shenzhen Hualitong Investment Co., Ltd.	Chairman of Board and General Manager	Mar. 2012	--	No

	Shenzhen Baoyuan Logistics Co., Ltd.	Director	Jun. 2010	--	No
	Baoneng Hotel Investment Co., Ltd.	Chairman of Board	Oct. 2009	--	No
	Qinglan Industry(Shenzhen) Co., Ltd.	Chairman of Board	Jul. 2012	--	No
	Baoning Property Co., Ltd.	Chairman of Board and General Manager	May 2012	--	No
	Shenzhen Zhonglin Industry Development Co., Ltd.	Chairman of Board and General Manager	May 2012	--	No
	Shenzhen Baoneng Investment Group Co., Ltd.	Director	Oct. 2013	--	No
	Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd.	Director	Apr. 2016	--	No
	Shenzhen Baoneng Property Development Co., Ltd.	Chairman of Board	Oct. 2011	--	No
	Shenzhen Shum Yip Logistics Group Co., Ltd.	Director	Oct. 2003	--	No
Chen Xibao	Xinjiang-Foresea Joint Property Insurance Co., Ltd.	Supervisor	Sep. 2016	--	No
Zhang Wandong	Guangdong Shu Jin Law Firm	Lawyer	Jan. 2010	--	Yes
	Zhejiang Ruizhen Logistics Co., Ltd.	Supervisor	Dec. 2014	--	No
	Shanghai Jiajin Logistics Co., Ltd.	Supervisor	Jun. 2006	--	No
	Zhejiang Ruizhen Supply China Management Co., Ltd.	Supervisor	May 2016	--	No
	Shenzhen Qianhai Heyi Information Consultation Co., Ltd.	Supervisor	Aug. 2015	--	No
	Shenzhen Sinotrix Software Co., Ltd.	Director	Jan. 2001	--	No
Li Xinjun	Shenzhen Renda Certified Tax Agent Co., Ltd.	General Manager	Dec. 2004	--	Yes
	Zhongzhun Certified Public Accountants (Shenzhen) Office	Chairman of Board	Nov. 2010	--	Yes

Punishment of securities regulatory authority in the last three years to the Company's current and retired directors, supervisors and senior management during the report period

☐ Applicable ☒ Not applicable

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

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

1. Decision-making procedures: The allowances for independent directors and external supervisors are planned and protocoled by the Remuneration & Assessment Committee of the Board and approved by the Shareholders' General Meeting after deliberation of the Board. Remuneration for senior executives is proposed by the Remuneration & Assessment Committee of the Board and decided by the Board after discussion.

2. Confirmation basis of remuneration: The allowances for independent directors and external supervisors are confirmed based on industry standards and real situation of the Company. The remuneration for senior executives implements floating reward mechanism with reference to basic salary and business performance. Bonus for performance rewards is withdrawal by proportion quarterly

according to return on equity and based on the total net profit after taxation.

3. Actual remuneration payment: The allowances for each of the Company's independent directors, each external director from non-shareholder's unit and each external supervisor are RMB 0.10 million per year. The total remuneration for senior executives in the report period was RMB 12.7788 million.

Remuneration for directors, supervisors and senior executives of the Company within the report period

Unit: RMB'0000

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company before taxation	Received remuneration from related party of the Company or not
Chen Lin	Director	Female	45	Currently in office	0	Yes
Fu Qilin	Independent director	Male	62	Currently in office	10	No
Jin Qingjun	Independent director	Male	60	Currently in office	0	No
Zhai Weizai	Independent director	Male	53	Currently in office	0	No
Wang Jian	Director	Male	53	Currently in office	0	Yes
Ye Weiqing	Director	Female	44	Currently in office	0	Yes
Cheng Xibao	Director	Female	34	Currently in office	0	Yes
Zhang Wandong	Chairman of Supervisory Committee	Female	48	Currently in office	0	No
LI Xinjun	Supervisor	Male	49	Currently in office	0	No
Zhao Peng	Supervisor	Male	55	Currently in office	0	No
Pan Yonghong	Chief Executive Officer	Male	48	Currently in office	0	No
Lun Wenhui	Vice Executive President	Male	54	Currently in office	0	No
Li Wennan	Vice President	Male	55	Currently in office	0	No
Zeng Nan	Chairman of the Board, Director of strategic and operational management committee	Male	72	Post leaving	194.11	No
Zhang Jianjun	Independent Director	Male	52	Post leaving	10	No
Du Wenjun	Independent Director	Female	48	Post leaving	10	No
Wu Guobin	Director/Chief Executive Officer	Male	52	Post leaving	179.78	No
Long Long	Chairman of Supervisory Committee	Male	61	Post leaving	10	No
Hong Guo'an	Supervisor	Male	62	Post leaving	10	No

Yan Wendou	Supervisor	Male	49	Post leaving	78.05	No
Luo Youming	Financial President	Male	54	Post leaving	153.68	No
Ke Hanqi	Vice President	Male	51	Post leaving	154.18	No
Zhang Fan	Vice President	Male	51	Post leaving	153.48	No
Hu Yong	Vice President	Male	39	Post leaving	138.82	No
Zhang Bozhong	Vice President	Male	52	Post leaving	117.36	No
Zhou Hong	Secretary of the Board	Female	51	Post leaving	35.01	No
Ding Jiuru	Vice President	Male	54	Post leaving	73.41	No
Total	--	--	--	--	1,327.88	--

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

☐Applicable ☒Not applicable

## V. Particulars of workforce

### 1. Number, professional composition and educational background of employees

Number of employees in the parent company (person)	99
Number of employees in major subsidiaries of the Company (person)	11,416
Total number of employees (person)	11,515
Total number of employees received salaries in the period (person)	11,515
Number of retired employees whose costs beared by the parent company and its main subsidiaries (person)	0
Professional composition	
Category of professional composition	Number of professional composition (person)
Production personnel	8,396
Salesman	592
Technician	1,420
Financial personnel	147
Administrative personnel	960
Total	11,515
Educational background	
Category of educational background	Number (person)
Doctor	7
Master	170
Undergraduate	2,010

Junior college	2,288
Degree below junior college	7,040
Total	11,515

## 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. Labor outsourcing

☐ Applicable    ☒ Not applicable

## 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 documents on corporate governance of listed company issued by CSRS.

The Company has established the *Information Disclosure Management System* and promptly improved it in accordance with newly issued laws and regulations, clarified the standards of insider information, and established inside information insider registration system and record management system. In order to further strengthen the Company's internal information disclosure control, enhance the disclosure consciousness of relevant personnel, and improve the quality of corporate information disclosure, in 2016, the Company set up information Disclosure Committee, and formulate *Rules for the implementation of the information disclosure Committee*. During the report period, the Company disclosed information with facticity, completeness, timeliness and fairness, strictly fulfilled the responsibilities and obligations of information disclosure of listed companies to ensure that investors are able to keep abreast of the Company's operation and development strategies. There was no regulatory punishment caused by information disclosure. Meanwhile, the Company delivered the *Inside Information Insider Table* to Shenzhen Stock Exchange when submitting periodic reports. It didn't exist that insiders used the inside information to trade the Company's shares before the major sensitive information which could affect the Company's share price was disclosed.

The Company has seriously implemented the requirements of the relevant regulatory to cash dividends. The Company formulated the *Return plan for Shareholders of CSG Holding Co., Ltd. in the Next Three Years (2015- 2017)* according to relevant regulations of the *Notice of Further Implementation of Cash Dividends of the Listed Companies* (ZJF No.: [2012] 37) and the *Regulatory Guidelines of Listed Companies No. 3 - Cash Dividends of Listed Companies* (ZGZJHGG No. [2013] 43) issued by China Securities Regulatory Commission, further improved the Company's decision-making and supervision mechanism for distribution of profits, and protected the interests of investors.

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

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

☐ Yes    ☒ No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

### II. 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 the 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.

### III. Horizontal competition

☐ Applicable    ☒ Not applicable

### IV. 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	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
The First Extraordinary General Shareholders' Meeting of 2016	Extraordinary General Shareholders' Meeting	25.26%	2016-1-21	2016-1-22	Announcement No.: 2016-005
Annual General Shareholders'	Annual General	30.59%	2016-4-15	2016-4-16	Announcement

Meeting of 2015	Shareholders' Meeting				No.: 2016-017
The Second Extraordinary General Shareholders' Meeting of 2016	Extraordinary General Shareholders' Meeting	30.01%	2016-12-14	2016-12-15	Announcement No.: 2016-074

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

### 1. The attending of independent directors to Board meetings and general shareholders' 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 way	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Fu Qilin	14	6	7	1	0	No
Jin Qingjun	2	1	1	0	0	No
Zhan Weizai	2	1	1	0	0	No
Zhang Jianjun	12	5	6	1	0	No
Du Wenjun	12	6	6	0	0	No
Times for attending shareholders general meeting from independent directors		3				

Explanation of absence for the Board Meeting twice in a row

Not applicable

### 2. Objection for relevant events from independent directors

Whether independent directors came up with objection about the Company's relevant matters or not

☒ Yes ☐ No

Name of independent director	Matters of objection	Content of objection
Zhang Jianjun, Fu Qilin, Du Wenjun	<i>The Proposal on Director Chen Lin to Perform the Duties of the Chairman of Board</i>	For details, please refer to <i>the Announcement on the Resolution of the Interim Meeting of the 7th Session of the Board of Directors of the Company</i> (Announcement No.:2016-044).
Zhang Jianjun, Du Wenjun	<i>The Proposal on Director Chen Lin to Perform the Duties of the Chief Executive Officer</i>	For details, please refer to <i>the Announcement on the Resolution of the Interim Meeting of the 7th Session of the Board of Directors</i> disclosed by the Company on Nov. 21, 2016(Announcement No.:2016-058).
Zhang Jianjun, Du Wenjun	<i>The Proposal on Director Cheng Xibao to Perform the Duties of the Secretary of the Board of Directors</i>	For details, please refer to <i>the Announcement on the Resolution of the Interim Meeting of the 7th Session of the Board of Directors</i> disclosed by the Company on Nov. 21, 2016(Announcement No.:2016-058).
Notes of matters which the independent directors came up with	The aforesaid resolution was approved by a majority of votes of the Board of Directors.	



objection	
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1. On Nov. 14, 2016, the Company convened the interim meeting of the 7<sup>th</sup> session of the Board of Directors, deliberated and approved *the Proposal on Director Chen Lin to Perform the Duties of the Chairman of Board*, for which, the independent director, Zhang Jianjun voted against the proposal and the independent directors Fu Qilin and Du Wenjun abstained from voting. For details, please refer to *the Announcement on the Resolution of the Interim Meeting of the 7th Session of the Board of Directors of the Company* (Announcement No.:2016-044).

2. On Nov. 19, 2016, the Company convened the interim meeting of the 7<sup>th</sup> session of the Board of Directors, deliberated and approved *the Proposal on Electing the Chairman of Board of the Company, the Proposal on Director Chen Lin to Perform the Duties of the Chief Executive Officer, the Proposal on Director Cheng Xibao to Perform the Duties of the Secretary of the Board of Directors*. The independent directors Zhang Jianjun and Du Wenjun abstained from voting against *the Proposal on Director Chen Lin to Perform the Duties of the Chief Executive Officer* and *the Proposal on Director Cheng Xibao to Perform the Duties of the Secretary of the Board of Directors*. For details, please refer to *the Announcement on the Resolution of the Interim Meeting of the 7th Session of the Board of Directors* disclosed by the Company on Nov. 21, 2016(Announcement No.:2016-058).

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

Whether the opinions from independent directors were adopted or not

☒ Yes    ☐ No

Explanation of the opinions from independent directors which were adopted or not adopted

In the report period, independent directors of the Company attended the board meetings and general shareholders' meetings, conscientiously performed their duties, and put forward constructive opinions or suggestions for the development of the Company strictly according to the requirements of *the Guidelines for Operation of the Listed Companies on Main Board of Shenzhen Stock Exchange*, the *Listing Rules of Shenzhen Stock Exchange Stock*, *the Guidelines for Establishment of Independent Director Mechanism for Listed Companies* and *the Article of Association*. Each independent director seriously deliberated all motions of the board of directors, gave independent opinions on significant operating management issues, engagement of senior management, related transactions, internal control construction and so on. The suggestions of independent directors related to the *Company and the adoption were as followings*:

On May 20, 2016, the Company convened the interim of 7th session of board of directors, deliberated and approved *the proposal of investment in 4 million m<sup>2</sup> light guiding panel photoelectric glass production line & Acquisition of 100% of Equities of Xianning Fengwei Technology Co., Ltd.* The acquisition of Xianning Fengwei Technology Co., Ltd was involved with related transaction. And therefore, the then independent directors, Fu Qilin, Zhang Jianjun and Du Wenjun paid highly attention to this related transaction, especially focused on the asset valuation of Fengwei Technology and put forward relevant opinions, which were adopted by the Company.

On Nov. 14, 2006, the Company convened the interim meeting of the 7<sup>th</sup> of Board of Directors, deliberated and approved *the Proposal on Director Chen Lin to Perform the Duties of the Chairman of Board*, for which, Zhang Jianjun voted against the proposal and the independent directors Fu Qilin and Du Wenjun abstained from voting. The aforesaid resolution was approved by a majority of votes of the Board of Directors.

On Nov. 19, 2016, the Company convened the interim meeting of the 7<sup>th</sup> session of the Board of Directors, deliberated and approved *the Proposal on Electing the Chairman of Board of the Company, the Proposal on Director Chen Lin to Perform the Duties of the Chief Executive Officer, the Proposal on Director Cheng Xibao to Perform the Duties of the Secretary of the Board of Directors*. The independent directors Zhang Jianjun and Du Wenjun abstained from voting against *the Proposal on Director Chen Lin to Perform the Duties of the Chief Executive Officer* and *the Proposal on Director Cheng Xibao to Perform the Duties of the Secretary of the Board of Directors*. The aforesaid resolutions were approved by a majority of votes of the Board of Directors.

## VI. 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 Deliberate the Company's financial statement and issue 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 opinions 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 opinions, the Audit Committee re-examined the financial report of the Company and presented written opinions on the Company's errors correction and the financial statements, agreed that the correction of accounting errors was beneficial to reflect the company's financial conditions more fairly and objectively and approved the disposal of such correction of accounting errors. Meanwhile, the Audit Committee viewed that the basis, conditions, principles and methods used in the report were in line with the regulations and laws and fairly reflected the financial conditions of the company on Dec. 31, 2016 and the operation achievement in 2016 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 2016 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 2017.

### 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.

① 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.

② The remuneration and examination committee deliberated the relevant items of equity incentive, relevant beneficiary avoiding for vote, and the deliberation results were submitted to the Board.

### 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.

① In the report period, nomination committee reviewed to determine candidates of by-election directors for 7th session of the Board, and agreed to submit the deliberation to the Board and general meeting of shareholders.

② Nomination committee of the Board performed evaluation on the work of the Board, and believed that the directors of 7<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 of shareholders 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, guarantee for controlling subsidiaries, related transaction, and investment projects of the Company, which were submitted to the board for consideration.

## VII. Performance of the Supervisory Committee

During the report period, the Supervisory Committee found whether there was risk in the Company in the supervisory activities

☐ Yes ☒ No

The Supervisory Committee had no objection on the supervised events during the report period.

## VIII. Performance examination and incentives of senior management

The Board of Directors approved the incentive measure for outstanding achievement of management team as follows: performance bonus of the Company's management team will be calculated quarterly, when the quarter cumulative annualized return on equity reaches 8%, the performance bonus will be calculated by 8% of the cumulative total of net profit (no deduction of minority interests, the same below) in this quarter, when the quarter cumulative annualized return on equity exceeds 8%, the performance bonus will be calculated based on 8% with a corresponding increase of 0.2% for every 1% increased, the performance bonus calculated in this quarter should be the balance between the cumulative total bonus to be calculated in this quarter and the cumulative total bonus obtained in the previous quarter; when the cumulative annualized return on equity in this quarter does not reach 8% but the single quarter cumulative annualized return on equity reaches or exceeds 8%, the performance bonuses will be calculated based on the total net profits in this quarter according to the above-mentioned calculating rules, otherwise, no performance bonus should be calculated in this quarter.

## IX. Internal Control

### 1. Particulars about significant defects found in the internal control during the report period

☒ Yes ☐ No

## 2. Self-appraisal report of internal control

Disclosure date of full text of self-appraisal report of internal control	2016-4-28	
Disclosure index of full text of self-appraisal report of internal control	More details found in ”Self-appraisal Report of Internal Control of CSG for year of 2016” published on Juchao Website( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	
The ratio of the total assets of the units included in the scope of evaluation to the total assets of the Company's consolidated financial statements	Above 95%	
The ratio of the operating income of the units included in the scope of evaluation to the operating income of the Company's consolidated financial statements	Above 95%	
Standards of Defects Evaluation		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<b>Major defects:</b> A. Fraud of directors, supervisors and senior management; B. Ineffective control environment; C. Invalid internal supervision; D. Major internal control defects found and reported to the management but haven’t been corrected after a reasonable time; E. Material misstatements are found by the external audit but haven’t been found in the process of internal control; F. Financial reports submitted during the reporting period completely cannot meet the needs and are severely punished by regulatory agencies; G. Other major defects that may affect the report users’ correct judgment. <b>Significant defects:</b> A. Defects or invalidation of important financial control procedures; B. Significant misstatements are found by the external audit but haven’t been found in the process of internal control; C. Financial reports submitted during the reporting period have mistakes frequently; D. Other significant defects that may affect the report users’ correct judgment. <b>Common defects:</b> Other control defects except for	<b>Major defects:</b> A. Major decision-making mistakes caused by decision-making process of key business; B. Serious violation of state laws and regulations; C. Serious brain drain of senior and middle management and or personnel at key technological posts; D. Major or significant defects found in the internal control evaluation have not been rectified and reformed; E. The company's major negative news frequently appears on media; <b>Significant defects:</b> A. Big deviation of execution caused by executive routine of key business; B. Regulatory authorities impose large amount of fines because the violation of laws and regulations; C. Defects or invalidation of important business’ internal control procedures; <b>Common defects:</b> Other control defects except for major defects and significant defects.

	major defects and significant defects.	
Quantitative standard	<p><b>Major defects:</b></p> <p>A. Amount of net profit affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 3% of net profit and the absolute amount is no less than 30 million yuan;</p> <p>B. Amount of assets and liabilities affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 3% of total assets.</p> <p><b>Significant defects:</b></p> <p>A. Amount of net profit affected by misstatements (based on consolidated statements): not belong to major defects and amount affected by misstatements is equal to or greater than 2% of net profit and the absolute amount is no less than 20 million yuan;</p> <p>B. Amount of assets and liabilities affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 0.5% of total assets but less than 1% of total assets.</p> <p><b>Common defects:</b> Defects except for major and significant defects.</p>	<p><b>Major defects:</b></p> <p>A. Amount of direct property loss: the direct loss amount is equal to or greater than 30 million yuan;</p> <p>B. Group's reputation: major negative news spreads in numerous business areas or is widely reported by national media and causes significant damages to the corporate reputation which takes more than six months to be restored.</p> <p><b>Significant defects:</b></p> <p>A. Amount of direct property loss: the direct loss amount is equal to or greater than 20 million yuan but less than 30 million yuan;</p> <p>B. Group's reputation: negative news spreads inside the industry or is reported or focused by local media and causes certain damages to the corporate reputation which takes more than three months but less than six months to be restored.</p> <p><b>Common defects:</b></p> <p>A. Amount of direct property loss: defects except for major and significant defects.</p> <p>B. Group's reputation: negative news spreads within the group and causes minor damages to the corporate reputation which takes less than three months to be restored.</p>
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

Notes to other significant matters related to internal control

On Nov. 16, 2016, the posts of part of senior management of the Company were changed substantially. The Company publicized a series of announcements including the *Announcement of Risk Reminder for Future Significant Personnel Changes of the Company* to remind the investors of investment risks. Besides, the Company offered subjective and open replies for the issues which shareholders and securities regulators were concerned. On Feb. 23, 2017, the interim meeting the 7<sup>th</sup> session of the board of directors approved the

proposal on the employment of senior management and formally built the new session of management team of CSG. Up to now, the Company is in sound production and operation and its internal control environment and system haven't been substantially influenced by the changes of the posts of senior management.

After verification, the company management is not due to shareholders meeting and submit a supplemental agreement to supplement the contract without the company's August 20, 2013 sixth interim meeting of the board of directors and the general meeting of shareholders in 2013 for the first time a temporary meeting to the board of directors, the No. 2013-024 announcement did not add the contents of the agreement of the contract shall be disclosed. The company attaches great importance to the problem: one is the company a comprehensive verification for matters similar to 2012 -2016 of the organization were not found, there is a similar problem; two is the company to solve the problem based on the existing control program was improved. A new review process; three is the company will strengthen training and propaganda work the information disclosure rules.

After verification, due to the then management personnel of the Company did not submit supplement agreement of a contract to the Board of Directors and the Shareholders' General Meeting and the contents of the supplementary agreement were not deliberated in the Interim Meeting of the 6th Session of the Board of Directors on August 20, 2013 and the First Extraordinary General Meeting of Shareholders of 2013, so that the announcement of No.2013-024 did not disclose the contents of the contract. The Company attached great importance to the issue. First, the Company organized for a comprehensive check on similar matters for 2012-2016 on the issue, and no similar problems were found. Second, the Company made improvements on the basis of existing control procedures and added a new review process in view of this problem. Third, the Company will strengthen training and publicity of information disclosure rules.

As of the date of the report, there is no other internal control information that may have a significant impact on investors' understanding of the internal control evaluation report, the evaluation of internal control, or investment decisions.

## X. Audit report of internal control

☒ Applicable   ☐ Not applicable

Deliberations in Internal Control Audit Report	
According to Guidelines of Enterprise Internal Control Audit and the relevant requirements of CICPA auditing standards, PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as PwC) audited the effectiveness of internal control over financial statements of the Company up to 31 December 2016, issued PwC ZT Shen Zi (2017) No. 0392 Internal Control Audit Report and made the following opinions: PwC thought that CSG Holding Co., Ltd. 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	28 April 2017
Disclosure index of internal control audit report	More details can be found in 2016 Internal Control Audit Report of CSG released on Juchao Website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Type of the auditor's opinion	Standard unqualified opinion
Whether there are major flaws in the non-financial report or not	No

Whether the CPAs firm issued an Audit Report on Internal Control with non-standard opinion or not?

☐ Yes   ☒ No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

☒ Yes   ☐ No

## IX. Corporate Bonds

### I. The basic information of corporate bonds

Name	Short name	Bond code	Issue date	Maturity date	Bond balance (RMB 0,000)	Interest rate	Way of repayment of principal and interest
Corporate bond in 2010 of CSG	10 CSG 02	112022	2010-10-20	2017-10-20	100,000	5.33%	Using simple interest year - on - year, non - compound interest, the interest is paid once a year and the principal is paid at a time once due, and the final interest is paid together with the principal.
Corporate bond listing or transfer trading place	Shenzhen Stock Exchange						
Appropriate arrangements for investors	Corporate bond "10 CSG 02" established the sell-back option for investors, which was completed in 2015.						
Interest payment and encashment of corporate bonds during the reporting period	The Company completed the payment of interest from October 20, 2015 to October 19, 2016 on October 20, 2016 for "10 CSG 02".						
Implementation of the special provisions including option and exchangeable terms of issuers or investors attached to corporate bonds and the relevant provisions during the report period (if applicable)	N/A						

### II. Information of bond trustee and credit rating institution

Bond trustee:							
Name	China Merchants Securities Co., Ltd.	Office adds.	38-45 floor, Ablock, Jiangsu Building, Yitian Road, Futian District, Shenzhen	Contact person	Nie Dongyun	Tel.	0755-82960984
Credit rating institution which tracks rating corporate bonds in the report period:							
Name	CCXR	Office adds.	8 floor, Anji Building, 760 Tibet South Road, Huangpu District, Shanghai				
If bond trustee and credit rating institution engaged by the Company changed in the report period, explain the reason of the change, performance of the procedure, and the impact on the interest of investors etc. (if							Not applicable

applicable)	
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### III. The use of fund raised by corporate bonds

The use of fund raised by corporate bonds and performance of the procedure	The raised fund is in strict accordance with the relevant provisions.
Balance at the end of year	0
The operation of the special account for raised fund	The operation of the special account for raised fund is strictly accordance with the relevant provisions of prospectus commitment.
Whether the use of raised fund is consistent with the purpose, plan of use and other agreements of prospectus commitment	Consistent

### IV. Information of the rating of corporation bonds

According to track rating of China Chengxin Securities Rating Co., Ltd. (Abbreviation "CCXR") in 2015, the Company's subject credit rating is AA +, rating outlook is stable, and the bonds credit rating of the current period is evaluated as AA +.

According to the announcement of CCXR on November 16, 2016, the *Announcement on the Changes in Shareholding Structure and Significant Personnel Changes of CSG*, the changes in equity structure of the Company and the senior management personnel of the Company may have uncertain impact on the Company's business plan and management methods. CCXR would Keep in close contact with the Company to To understand the progress of the relevant developments in order to Timely to determine the changes in equity, major personnel changes on the company's future development strategy, business operations and credit conditions

### V. Trust mechanism, debt repayment plans and other debt repayment safeguards of corporation bonds

During the report period, the trust mechanism, debt repayment plans and other debt repayment safeguards have not been changed which are the same as the relevant commitments of raising instruction manual, the relevant implementations are as follows:

#### I. Debt repayment plan

The Company established the annual and monthly plan for application of funds based on the payment arrangement for coming due principal and interest of the corporation bonds, reasonably managed and allocated the funds so as to make sure the due principal and interest be paid in time. The capital sources for paying the corporation bonds in the report period were mainly the cash flow generated by the Company's operating activities and the bank loans.

In 2016, the Company paid the interest of corporation bond "10 CSG 02" on time.

#### II. Repayment safeguards for the Company's bonds

In order to fully and effectively maintained the interests of the bondholders, the Company has made a series plans for the timely and sufficient repayment for bonds in the report period, including confirming the specialized departments and personnel, arranging the funds for repayment, establishing the management measures, achieving the organization coordination, and strengthening information disclosure so as to form a set of safeguards to ensure the security payment of bond.

#### (I) Establish the "Bondholders' Meeting Rules"

The Company has established the "Bondholders' Meeting Rules" for the corporation bonds in accordance with the "Pilot Approach



for the Issuance of Corporation Bonds", appointed the range, procedures and other important matters for bondholders to exercise rights by bondholders' meeting and made reasonable institutional arrangements to ensure the principal and interest of the corporation bonds be paid timely and sufficiently.

(II) Engage bond trustee

The Company has engaged China Merchants Securities Co., Ltd. as the trustee for the corporation bonds in accordance with the "Pilot Approach for the Issuance of Corporation Bonds", and signed the "Bond Trusteeship Agreement". In the duration of the corporation bonds, the bond trustee will maintain the interests of the Company's bondholders according to the agreement.

(III) Establish the specialized reimbursement working group and set up special account for debt repayment

The Company used the funds raised from the bond strictly in accordance with the "Financial Management System" and "Financial Funds Management Approach". The Company has appointed the financial department to take the lead and take charge of the repayment of corporation bonds, implement and arrange the repayment funds for principal and interest of corporation bonds in the annual financial budget so as to ensure the principal and interest be paid on time and guarantee the interests of bondholders. Within 15 working days before the annual interest pay day and annual principal pay day of corporation bonds, the Company specially establishes a working group of which the members are composed of personnel from the company's financial management department to take charge of the repayment of interests and other relevant work. The Company guarantees the funds for payment of interest will be sent to the special repayment account three days before the annual interest payment and the funds for cashing principle will be sent to the special repayment account one week before the due date of corporation bonds, the special repayment account will pay both the principle and interest.

(IV) Improve profitability, strengthen funds management, and optimize debt structure

The Company has a rigorous financial system and a normative management system, account receivable turnover and inventory turnover are in good status, the Company's financial policies are steady, and the structure of assets and liabilities is reasonable. The Company will continue its efforts to enhance the profitability of main business and the market competitiveness of products so as to improve the Company's return on assets; the Company also will continue to strengthen the management of accounts receivable and inventory so as to improve accounts receivable turnover and inventory turnover, and thereby enhance the Company's ability to obtain cash.

(V) Strict information disclosure

The Company follows the principle of truly, accurately and completely disclosing information so that the Company's debt paying ability and use of proceeds can be under the supervision of the bondholders, bond trustee and shareholders to prevent debt repayment risk.

(VI) Other safeguards

When the Company cannot pay interest and principal on time or has other breach of contracts, the Company will at least take following measures:

1. Do not distribute profits to shareholders.
2. Postpone the implementation of capital expenditure projects such as major foreign investment, mergers and acquisitions.

## **VI. Information about the bond-holder meeting during the reporting period**

There was no bond-holder meeting convened in the report period.

## VII. Information about the obligations fulfilled by the bond trustee in the report period

Bond trustee perform their duties as the agreement during the report period.

The Company disclosed the "2010 Annual Corporate Bonds Trusteeship Transaction Report (2015)" prepared by China Merchants Securities Co., Ltd. at Juchao website (<http://www.cninfo.com.cn>) on April 20, 2016.

The Company disclosed the "2010 Annual Corporate Bonds Trusteeship Transaction Interim Report on Major Matters" prepared by China Merchants Securities Co., Ltd. at Juchao website (<http://www.cninfo.com.cn>) on June 29, 2016.

The Company disclosed the "2010 Annual Corporate Bonds Trusteeship Transaction Interim Report on Major Matters" prepared by China Merchants Securities Co., Ltd. at Juchao website (<http://www.cninfo.com.cn>) on November 22, 2016.

Investors are welcomed to refer to the above reports.

## VIII. The key accounting data and financial indicators of the latest two years to the end of the report period

RMB 0,000

Item	2016	2015	Rate of change over the same period
Earnings before interest tax depreciation and amortiation	213,158.07	181,276.38	17.59%
Flow rate	36%	42%	-6%
Assets liabilities rate	52%	51%	1%
Speed ratio	29%	35%	-6%
Total debt ratio of EBITDA	24%	22%	2%
Interest coverage ratio	4.70	3.46	35.84%
Cash interest coverage ratio	10.36	5.45	90.09%
interest coverage ratio of EBITDA	8.25	6.6	25%
Loan repayment rate	100%	100%	--
interest coverage ratio	100%	100%	--

The main reason of the above main accounting data and financial indicators changed more than 30% y-o-y

√Applicable    □ Not applicable

The increase of cash interest coverage ratio was mainly due to the increase of net flow from operating activities.

## IX. Payment of principle and interest for other bonds and debt financing instruments during the report period

1. On March 11, 2016, the Company completed the repayment of the first batch of ultra-short-term financing bills of 2015 with total amount of RMB 0.8 billion and annual rate of 4.25%, which were issued on June 12, 2015.
2. On April 23, 2016, the Company completed the repayment of the first batch of short-term financing bills of 2015 with total amount of RMB 0.6 billion and annual rate of 4.28%, which were issued on April 22, 2015.
3. On September 17, 2016, the Company completed the repayment of the second batch of short-term financing bills of 2015 with total amount of RMB 0.4 billion and annual rate of 3.50%, which were issued on September 16-17, 2015.
4. On July 11, 2016, the Company completed the repayment of the second batch of the ultra-short-term financing bills of 2015 with

total amount of RMB 1.1 billion and valid term of 270 days at the issuance rate of 3.81%, which were issued on October 13, 2015.

5. On December 16, 2016, the Company completed the repayment of the first batch of the ultra-short-term financing bills of 2016 with total amount of RMB 0.8 billion and valid term of 270 days at the issuance rate of 3.15%, which were issued on March 10, 2016.

## **X. Information about of bank credit and use, as well as repayment of bank loans during the report period**

In the report period, the Company gained bank credit of RMB 7,223.09 million and use quota of RMB 2,371.40 million and repaid loans of RMB 5,717.58 million.

## **XI. Information about fulfillment of the stipulations or commitments specified in the Prospectus of the issuance of the bonds during the report period**

Not applicable

## **XII. Major matters occurring during the report period**

Other major matters please refer to note nineteen “Explanation on other major matters ” in the fifth section “Important Events” in this report.

## **XIII. Whether there is a guarantor of corporate bonds**

☐ Yes    ☒ No

## Section X. Financial Report

### I. Report of the Auditors

Type of Auditor's Opinion	Standard and unqualified
Issue date of Report of the Auditors	27 April 2017
Name of Auditor's organization	PricewaterhouseCoopers Zhong Tian LLP
Reference number of Report of the Auditors	PwC ZT Shen Zi (2017) No. 10011
Name of CPA	Yao Wenping Han Xu

#### the Text of the Audit Statement

To the shareholders of CSG Holding Co., Ltd.,

We have audited the accompanying financial statements of CSG Holding Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company's balance sheets as at 31 December 2016, and the consolidated and company's income statements, the consolidated and company's statements of changes in shareholders' equity and the consolidated and company's cash flow statements for the year then ended, and the notes to the financial statements.

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

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the 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 judgement, 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 the Company as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the PRC

27 April 2017

**CSG HOLDING CO., LTD.**

**CONSOLIDATED BALANCE SHEETS**

**AS AT 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

<b>ASSETS</b>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015 (Restated)</b>	<b>1 January 2015 (Restated)</b>
<b>Current assets</b>				
Cash at bank and on hand	4(1)	586,803,505	578,834,520	158,139,050
Notes receivable	4(2)	456,347,237	453,546,538	155,588,629
Accounts receivable	4(3)	627,985,983	452,961,612	318,274,574
Advances to suppliers	4(4)	95,733,132	109,841,295	84,231,553
Other receivables	4(5)	33,229,149	116,224,370	25,973,156
Inventories	4(6)	477,780,925	350,425,732	390,652,618
Other current assets	4(7)	199,905,577	118,359,117	219,908,717
<b>Total current assets</b>		<b>2,477,785,508</b>	<b>2,180,193,184</b>	<b>1,352,768,297</b>
<b>Non-current assets</b>				
Financial assets available-for-sale		-	-	145,568,100
Long-term receivables	8(6)	-	50,104,299	-
Long-term equity investments	4(8)	-	668,210,253	751,623,543
Fixed assets	4(9)	11,457,972,991	10,199,674,929	9,851,117,915
Construction in progress	4(10)	1,362,096,377	1,339,340,780	1,934,595,736
Intangible assets	4(11)	1,032,458,977	846,238,811	946,586,310
Development expenditure	4(11)	66,927,714	26,280,426	17,675,656
Goodwill	4(12)	397,392,156	3,039,946	3,039,946
Long-term prepaid expenses		975,660	1,597,865	2,391,824
Deferred tax assets	4(13)	96,451,854	110,336,216	103,781,894
Other non-current assets	4(14)	87,174,393	64,583,451	7,659,084
<b>Total non-current assets</b>		<b>14,501,450,122</b>	<b>13,309,406,976</b>	<b>13,764,040,008</b>
<b>TOTAL ASSETS</b>		<b>16,979,235,630</b>	<b>15,489,600,160</b>	<b>15,116,808,305</b>

**CSG HOLDING CO., LTD.**

**CONSOLIDATED BALANCE SHEETS (CONT'D)**

**AS AT 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

		31 December 2016	31 December 2015	1 January 2015
<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>		<b>(Restated)</b>	<b>(Restated)</b>
<b>Current liabilities</b>				
Short-term borrowings	4(16)	4,017,869,662	3,216,326,670	1,957,123,175
Financial liabilities at fair value through profit or loss	4(17)	-	228,500,000	136,400,000
Notes payable	4(18)	20,000,000	8,000,000	3,500,000
Accounts payable	4(19)	1,169,869,370	915,266,051	960,537,876
Advances from customers	4(20)	142,330,979	117,434,636	113,994,747
Employee benefits payable	4(21)	193,372,239	170,539,613	159,040,363
Taxes payable	4(22)	115,592,616	119,826,177	57,213,608
Interest payable	4(23)	78,225,904	89,363,806	74,556,982
Other payables	4(24)	188,321,450	143,021,055	147,269,978
Current portion of non-current liabilities	4(25)	1,029,340,000	239,000,000	2,119,066,755
Other current liabilities		300,000	300,000	300,000
<b>Total current liabilities</b>		<b>6,955,222,220</b>	<b>5,247,578,008</b>	<b>5,729,003,484</b>
<b>Non-current liabilities</b>				
Long-term borrowings	4(26)	1,438,660,000	1,200,000,000	383,817,820
Bonds payable	4(27)	-	1,000,000,000	-
Deferred tax liabilities	4(13)	29,749,137	9,531,572	42,029,332
Deferred income	4(28)	422,993,254	383,599,103	444,909,519
<b>Total non-current liabilities</b>		<b>1,891,402,391</b>	<b>2,593,130,675</b>	<b>870,756,671</b>
<b>Total liabilities</b>		<b>8,846,624,611</b>	<b>7,840,708,683</b>	<b>6,599,760,155</b>
<b>Shareholders' equity</b>				
Share capital	4(29)	2,075,335,560	2,075,335,560	2,075,335,560
Capital surplus	4(30)	1,260,702,197	1,261,391,272	1,340,090,907
Other comprehensive income	4(31)	4,653,971	2,967,772	(13,521,093)
Special reserve	4(32)	5,843,473	15,437,498	14,562,826
Surplus reserve	4(33)	888,850,230	859,122,330	817,132,731
Undistributed profits	4(34)	3,576,949,573	3,431,556,565	3,978,560,834
<b>Total equity attributable to shareholders of parent company</b>		<b>7,812,335,004</b>	<b>7,645,810,997</b>	<b>8,212,161,765</b>
<b>Minority interests</b>		<b>320,276,015</b>	<b>3,080,480</b>	<b>304,886,385</b>
<b>Total shareholders' equity</b>		<b>8,132,611,019</b>	<b>7,648,891,477</b>	<b>8,517,048,150</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>16,979,235,630</b>	<b>15,489,600,160</b>	<b>15,116,808,305</b>

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

Legal representative: Principal in charge of accounting: Head of accounting department:

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**CSG HOLDING CO., LTD.**

**COMPANY'S BALANCE SHEETS**

**AS AT 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

<b>ASSETS</b>	<b>Note</b>	<b>31 December 2016</b>	<b>31 December 2015 (Restated)</b>	<b>1 January 2015 (Restated)</b>
<b>Current assets</b>				
Cash at bank and on hand		302,841,481	395,798,393	69,089,926
Advances to suppliers		16,880	492,191	-
Other receivables	15(1)	3,863,121,029	4,283,715,036	3,574,791,409
<b>Total current assets</b>		<b>4,165,979,390</b>	<b>4,680,005,620</b>	<b>3,643,881,335</b>
<b>Non-current assets</b>				
Financial assets available-for-sale		-	-	139,854,780
Long-term receivables	15(3)	2,003,645,000	2,139,873,923	1,636,290,000
Long-term equity investments	15(2)	4,790,440,632	4,337,777,738	4,733,050,730
Fixed assets		26,073,848	30,806,106	32,554,885
Intangible assets		1,393,454	1,762,037	2,205,836
Long-term prepaid expenses		-	894,241	1,701,424
<b>Total non-current assets</b>		<b>6,821,552,934</b>	<b>6,511,114,045</b>	<b>6,545,657,655</b>
<b>TOTAL ASSETS</b>		<b>10,987,532,324</b>	<b>11,191,119,665</b>	<b>10,189,538,990</b>

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

Legal representative: Principal in charge of accounting: Head of accounting department:



**CSG HOLDING CO., LTD.**

**COMPANY'S BALANCE SHEETS**

**AS AT 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

		31 December 2016	31 December 2015	1 January 2015
<b>LIABILITIES AND OWNERS' EQUITY</b>	<b>Note</b>		<b>(Restated)</b>	<b>(Restated)</b>
<b>Current liabilities</b>				
Short-term borrowings		3,495,163,044	2,900,000,000	1,681,000,000
Financial liabilities at fair value through profit or loss	4(17)	-	228,500,000	136,400,000
Accounts payable		317,874	-	169,337
Employee benefits payable		18,380,010	38,240,000	50,356,110
Taxes payable		1,804,568	39,469,245	1,323,122
Interest payable		3,794,646	79,906,647	54,281,022
Other payables	15(4)	240,593,894	295,421,165	270,915,072
Current portion of non-current liabilities		1,000,000,000	239,000,000	1,995,783,205
<b>Total current liabilities</b>		<b>4,760,054,036</b>	<b>3,820,537,057</b>	<b>4,190,227,868</b>
<b>Non-current liabilities</b>				
Long-term borrowings		1,380,000,000	1,200,000,000	196,000,000
Bonds payable		-	1,000,000,000	-
Deferred tax liabilities		-	-	30,553,445
Deferred income		12,035,040	10,543,800	11,167,800
<b>Total non-current liabilities</b>		<b>1,392,035,040</b>	<b>2,210,543,800</b>	<b>237,721,245</b>
<b>Total liabilities</b>		<b>6,152,089,076</b>	<b>6,031,080,857</b>	<b>4,427,949,113</b>
<b>Shareholders' equity</b>				
Share capital	4(29)	2,075,335,560	2,075,335,560	2,075,335,560
Capital surplus		1,405,529,511	1,404,803,407	1,403,806,545
Other comprehensive income		-	-	(15,223,855)
Surplus reserve		903,395,590	873,667,690	831,678,091
Undistributed profits		451,182,587	806,232,151	1,465,993,536
<b>Total shareholders' equity</b>		<b>4,835,443,248</b>	<b>5,160,038,808</b>	<b>5,761,589,877</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,987,532,324</b>	<b>11,191,119,665</b>	<b>10,189,538,990</b>

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

Legal representative: Principal in charge of accounting: Head of accounting department:

**CSG HOLDING CO., LTD.**

**CONSOLIDATED AND COMPANY'S INCOME STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2016 Consolidated	2015 Consolidated (Restated)	2016 Company	2015 Company (Restated)
<b>Revenue</b>	4(35)	8,974,083,407	7,430,889,111	22,581,872	-
Less: Cost of sales	4(35),4(40)	(6,562,214,373)	(5,824,792,630)	(60,337)	-
Taxes and surcharges	4(36)	(103,159,546)	(38,562,725)	(92,575)	(2,935,353)
Selling and distribution expenses	4(37),4(40)	(301,815,090)	(283,369,323)	-	-
General and administrative expenses	4(38),4(40)	(766,589,059)	(672,697,939)	(122,708,284)	(75,838,865)
Financial expenses - net	4(39)	(265,820,569)	(278,687,176)	(20,405,532)	(178,997,655)
Asset impairment loss	4(41)	(58,862,764)	(3,893,714)	1,767,753	(1,769,376)
Add: Gain or loss from changes in fair value	4(42)	228,500,000	(92,100,000)	228,500,000	(92,100,000)
Investment income/(loss)	4(43),15(5)	(279,187,752)	288,044,816	186,072,766	752,363,051
Including: Investment income/(loss) from associates		5,071,685	(7,960,731)	29,186,090	960,738
<b>Operating profit</b>		864,934,254	524,830,420	295,655,663	400,721,802
Add: Non-operating revenue	4(44)	99,629,941	117,587,381	1,577,487	22,651,156
Including: Gains on disposal of non-current assets		1,551,302	2,875,252	3,210	450
Less: Non-operating expenses	4(45)	(8,455,576)	(864,507)	-	-
Including: Losses on disposal of non-current assets		(3,310,660)	(434,101)	-	-
<b>Total profit</b>		956,108,619	641,553,294	297,233,150	423,372,958
Less: Income tax (expenses)/revenue	4(46)	(151,882,095)	(93,820,627)	45,854	(3,476,964)
<b>Net profit</b>		804,226,524	547,732,667	297,279,004	419,895,994
Attributable to shareholders of parent company		797,721,576	532,653,110		
Minority interests		6,504,948	15,079,557		
<b>Other comprehensive income net after tax</b>	4(31)	1,686,199	16,318,318	-	15,223,855
Other comprehensive income net after tax attributable to shareholders of parent company		1,686,199	16,488,865	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss		1,686,199	16,488,865	-	15,223,855
Changes in fair value of available-for-sale financial assets		-	15,970,110	-	15,223,855
Differences on translation of foreign currency financial statements		1,686,199	518,755	-	-
Other comprehensive income net after tax attributable to minority interests		-	(170,547)		
<b>Total comprehensive income</b>		805,912,723	564,050,985	297,279,004	435,119,849
Total comprehensive income attributable to shareholders of parent		799,407,775	549,141,975		

company		
Total comprehensive income attributable to minority interests	6,504,948	14,909,010
<b>Earnings per share</b>	4(47)	
Basic earnings per share (RMB Yuan)	0.38	0.26
Diluted earnings per share (RMB Yuan)	0.38	0.26

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

Legal representative: Principal in charge of accounting: Head of accounting department:  
**CSG HOLDING CO., LTD.**

## CONSOLIDATED AND COMPANY'S CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2016 Consolidated	2015 Consolidated	2016 Company	2015 Company
<b>1. Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		10,375,273,438	8,240,680,369	-	-
Refund of taxes and surcharges		69,632,529	42,439,155	-	-
Cash received relating to other operating activities	4(48)(a)	47,278,131	34,584,608	3,798,557	2,475,755
<b>Sub-total of cash inflows</b>		10,492,184,098	8,317,704,132	3,798,557	2,475,755
Cash paid for goods and services		(5,719,787,359)	(5,303,324,616)	-	(661,528)
Cash paid to and on behalf of employees		(1,198,976,110)	(882,291,864)	(125,316,231)	(58,563,423)
Payments of taxes and surcharges		(780,678,441)	(534,292,022)	(39,189,451)	(1,354,178)
Cash paid relating to other operating activities	4(48)(b)	(551,890,068)	(504,963,133)	(13,035,783)	(28,915,023)
<b>Sub-total of cash outflows</b>		(8,251,331,978)	(7,224,871,635)	(177,541,465)	(89,494,152)
<b>Net cash flows from/(used in) operating activities</b>	4(49)(a)	2,240,852,120	1,092,832,497	(173,742,908)	(87,018,397)
<b>2. Cash flows from investing activities</b>					
Cash received from withdrawal of investments		-	166,695,803	-	160,153,254
Cash received from returns on investments		-	271,636,616	395,236,932	765,497,056
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,426,349	32,368,204	3,210	450
Net proceeds from disposal of subsidiaries	4(49)(d)	-	240,531,849	-	258,853,009
Cash received relating to other investing activities	4(48)(c)	364,515,307	138,910,670	736,648,232	-
<b>Sub-total of cash inflows</b>		372,941,656	850,143,142	1,131,888,374	1,184,503,769
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,289,115,730)	(865,950,471)	(807,521)	(4,290,577)
Cash paid to acquire investments		(4,252,960)	(296,854,520)	(158,896,160)	(145,794,900)
Net cash received from acquired subsidiaries	4(49)(e)	(503,593,518)	-	(502,204,796)	-
Cash paid relating to other investing activities	4(48)(d)	(182,205,113)	(265,556,764)	-	(908,642,236)
<b>Sub-total of cash outflows</b>		(1,979,167,321)	(1,428,361,755)	(661,908,477)	(1,058,727,713)
<b>Net cash flows (used in)/from investing activities</b>		(1,606,225,665)	(578,218,613)	469,979,897	125,776,056
<b>3. Cash flows from financing activities</b>					
Cash received from capital contributions		14,500,000	-	-	-

Including: Cash received from capital contributions by minority shareholders of subsidiaries		14,500,000	-	-	-
Cash received from borrowings		9,747,674,851	6,989,425,462	9,117,091,808	6,358,297,602
Cash received relating to other financing activities		-	270,758	-	57,613,055
<b>Sub-total of cash inflows</b>		<b>9,762,174,851</b>	<b>6,989,696,220</b>	<b>9,117,091,808</b>	<b>6,415,910,657</b>
Cash repayments of borrowings		(9,481,131,859)	(5,732,453,437)	(8,580,928,764)	(4,896,297,602)
Cash payments for interest expenses and distribution of dividends or profits		(907,404,419)	(1,347,326,269)	(871,890,165)	(1,231,662,247)
Including: Cash payments for dividends to minority shareholders of subsidiaries		-	(41,417,660)	-	-
Cash payments relating to other financing activities		-	(10,000,000)	(53,686,866)	-
<b>Sub-total of cash outflows</b>		<b>(10,388,536,278)</b>	<b>(7,089,779,706)</b>	<b>(9,506,505,795)</b>	<b>(6,127,959,849)</b>
<b>Net cash flows (used in)/from financing activities</b>		<b>(626,361,427)</b>	<b>(100,083,486)</b>	<b>(389,413,987)</b>	<b>287,950,808</b>
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>1,557,085</b>	<b>3,376,219</b>	<b>208,178</b>	<b>-</b>
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	4(49)(b)	<b>9,822,113</b>	<b>417,906,617</b>	<b>(92,968,820)</b>	<b>326,708,467</b>
Add: Cash and cash equivalents at beginning of year		574,744,877	156,838,260	394,606,753	67,898,286
<b>6. Cash and cash equivalents at end of year</b>	4(49)(c)	<b>584,566,990</b>	<b>574,744,877</b>	<b>301,637,933</b>	<b>394,606,753</b>

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

Legal representative: Principal in charge of accounting: Head of accounting department:

CSG HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	Attributable to shareholders of parent company							Minority interests	Total shareholders' equity
		Share capital 4(29)	Capital surplus 4(30)	Other comprehensive income 4(31)	Special reserve 4(32)	Surplus reserve 4(33)	Undistributed profits 4(34)	Sub-total		
<b>Balance at 31 December 2014</b>		2,075,335,560	1,340,090,907	(13,521,093)	14,562,826	830,772,731	4,101,320,834	8,348,561,765	304,886,385	8,653,448,150
Prior period accounting error correction	2(30)	-	-	-	-	(13,640,000)	(122,760,000)	(136,400,000)	-	(136,400,000)
<b>Balance at 1 January 2015 (Restated)</b>		2,075,335,560	1,340,090,907	(13,521,093)	14,562,826	817,132,731	3,978,560,834	8,212,161,765	304,886,385	8,517,048,150
<b>Movements for the year ended 31 December 2015 (Restated)</b>										
Total comprehensive income										
Net profit		-	-	-	-	-	532,653,110	532,653,110	15,079,557	547,732,667
Other comprehensive income	4(31)	-	-	16,488,865	-	-	-	16,488,865	(170,547)	16,318,318
Total comprehensive income		-	-	16,488,865	-	-	532,653,110	549,141,975	14,909,010	564,050,985
Effect of changes in investees' other equity applying the equity method		-	324,662	-	-	-	-	324,662	-	324,662
Profit distribution		-	-	-	-	41,989,599	(1,079,657,379)	(1,037,667,780)	(41,417,660)	(1,079,085,440)
Appropriation to surplus reserve	4(33)	-	-	-	-	41,989,599	(41,989,599)	-	-	-
Distribution to the shareholders	4(34)	-	-	-	-	-	(1,037,667,780)	(1,037,667,780)	(41,417,660)	(1,079,085,440)
Special reserve		-	-	-	874,672	-	-	874,672	-	874,672
Special reserve appropriated		-	-	-	5,382,232	-	-	5,382,232	-	5,382,232
Special reserve used		-	-	-	(4,507,560)	-	-	(4,507,560)	-	(4,507,560)
Others		-	(79,024,297)	-	-	-	-	(79,024,297)	(275,297,255)	(354,321,552)
Transactions with minority shareholders	4(30)	-	(79,295,055)	-	-	-	-	(79,295,055)	(217,559,465)	(296,854,520)
Disposal of fractional shares		-	270,758	-	-	-	-	270,758	-	270,758
Disposal of subsidiaries		-	-	-	-	-	-	-	(57,737,790)	(57,737,790)

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<b>Balance at 31 December 2015</b>	<u>2,075,335,560</u>	<u>1,261,391,272</u>	<u>2,967,772</u>	<u>15,437,498</u>	<u>859,122,330</u>	<u>3,431,556,565</u>	<u>7,645,810,997</u>	<u>3,080,480</u>	<u>7,648,891,477</u>
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CSG HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	Attributable to shareholders of parent company						Sub-total	Minority interests	Total shareholders' equity
		Share capital 4(29)	Capital surplus 4(30)	Other comprehensive income 4(31)	Special reserve 4(32)	Surplus reserve 4(33)	Undistributed profits 4(34)			
<b>Balance at 1 January 2016 (Restated)</b>		2,075,335,560	1,261,391,272	2,967,772	15,437,498	859,122,330	3,431,556,565	7,645,810,997	3,080,480	7,648,891,477
<b>Movements for the year ended 31 December 2016</b>										
Total comprehensive income										
Net profit		-	-	-	-	-	797,721,576	797,721,576	6,504,948	804,226,524
Other comprehensive income	4(31)	-	-	1,686,199	-	-	-	1,686,199	-	1,686,199
Total comprehensive income		-	-	1,686,199	-	-	797,721,576	799,407,775	6,504,948	805,912,723
Capital increase or decrease from shareholder		-	402,262	-	-	-	-	402,262	313,771,067	314,173,329
Investments by minority shareholders		-	-	-	-	-	-	-	313,628,750	313,628,750
Share-based payments		-	402,262	-	-	-	-	402,262	142,317	544,579
Effect of changes in investees' other equity applying the equity method	4(8)	-	81,143	-	-	-	-	81,143	-	81,143
Profit distribution		-	-	-	-	29,727,900	(652,328,568)	(622,600,668)	-	(622,600,668)
Appropriation to surplus reserve	4(33)	-	-	-	-	29,727,900	(29,727,900)	-	-	-
Distribution to the shareholders	4(34)	-	-	-	-	-	(622,600,668)	(622,600,668)	-	(622,600,668)
Special reserve		-	-	-	(9,594,025)	-	-	(9,594,025)	-	(9,594,025)
Special reserve appropriated	4(32)	-	-	-	6,930,650	-	-	6,930,650	-	6,930,650
Special reserve used	4(32)	-	-	-	(16,524,675)	-	-	(16,524,675)	-	(16,524,675)
Others		-	(1,172,480)	-	-	-	-	(1,172,480)	(3,080,480)	(4,252,960)
Transactions with minority shareholders	4(30)	-	(1,172,480)	-	-	-	-	(1,172,480)	(3,080,480)	(4,252,960)
<b>Balance at 31 December 2016</b>		2,075,335,560	1,260,702,197	4,653,971	5,843,473	888,850,230	3,576,949,573	7,812,335,004	320,276,015	8,132,611,019

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

Legal representative: Principal in charge of accounting: Head of accounting department:



**CSG HOLDING CO., LTD.**

**COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
<b>Balance at 31 December 2014</b>	2,075,335,560	1,403,806,545	(15,223,855)	845,318,091	1,588,753,536	5,897,989,877
Prior period accounting error correction(Note2(30))	-	-	-	(13,640,000)	(122,760,000)	(136,400,000)
<b>Balance at 1 January 2015</b>	<u>2,075,335,560</u>	<u>1,403,806,545</u>	<u>(15,223,855)</u>	<u>831,678,091</u>	<u>1,465,993,536</u>	<u>5,761,589,877</u>
<b>Movements for the year ended 31 December 2015 (Restated)</b>						
Total comprehensive income						
Net profit	-	-	-	-	419,895,994	419,895,994
Other comprehensive income	-	-	15,223,855	-	-	15,223,855
Total comprehensive income	-	-	15,223,855	-	419,895,994	435,119,849
Effect of changes in investees' other equity applying the equity method	-	726,104	-	-	-	726,104
Profit distribution	-	-	-	41,989,599	(1,079,657,379)	(1,037,667,780)
- Appropriation to surplus reserve	-	-	-	41,989,599	(41,989,599)	-
- Distribution to the shareholders	-	-	-	-	(1,037,667,780)	(1,037,667,780)
Disposal of fractional shares	-	270,758	-	-	-	270,758
<b>Balance at 31 December 2015 (Restated)</b>	<u>2,075,335,560</u>	<u>1,404,803,407</u>	<u>-</u>	<u>873,667,690</u>	<u>806,232,151</u>	<u>5,160,038,808</u>
<b>Balance at 1 January 2016 (Restated)</b>	<u>2,075,335,560</u>	<u>1,404,803,407</u>	<u>-</u>	<u>873,667,690</u>	<u>806,232,151</u>	<u>5,160,038,808</u>
<b>Movements for the year ended 31 December 2016</b>						
Total comprehensive income						
Net profit	-	-	-	-	297,279,004	297,279,004
Total comprehensive income	-	-	-	-	297,279,004	297,279,004
Effect of changes in investees' other equity applying the equity method	-	726,104	-	-	-	726,104
Profit distribution	-	-	-	29,727,900	(652,328,568)	(622,600,668)
- Appropriation to surplus reserve	-	-	-	29,727,900	(29,727,900)	-
- Distribution to the shareholders	-	-	-	-	(622,600,668)	(622,600,668)
<b>Balance at 31 December 2016</b>	<u>2,075,335,560</u>	<u>1,405,529,511</u>	<u>-</u>	<u>903,395,590</u>	<u>451,182,587</u>	<u>4,835,443,248</u>

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

Legal representative: Principal in charge of accounting: Head of accounting department:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**1 General information**

CSG Holding Co Ltd (the “Company”) was incorporated in September 1984, 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). The Company was registered in Shenzhen, Guangdong Province of the People's Republic of China and its headquarters is located in Shenzhen, Guangdong Province of the People's Republic of China. The Company issued RMB-denominated ordinary shares (“A-share”) and foreign shares (“B-share”) publicly in October 1991 and January 1992 respectively, and was listed on Shenzhen Stock Exchange on February 1992. As at 31 December 2016, the registered capital was RMB2,075,335,560, with nominal value of RMB1 per share.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in the manufacture and sales of flat glass, specialised glass, engineering glass, energy saving glass, silicon related materials, polycrystalline silicon and solar components and electronic-graded display device glass and the construction and operation of photovoltaic plant etc.

Details on the majors subsidiaries included in the consolidated scope in current year were stated in Note 5(1). The subsidiaries newly included in the consolidated scope for the current year mainly include Shenzhen CSG Display Technologies Co., Ltd. (“Shenzhen CSG Display”) and Xianning CSG Photoelectric Glass Co., Ltd. (“Xianning CSG Photoelectric”), etc., about which details are stated in Note 5.

The financial statements were authorised for issue by the Board of Directors on 27 April 2017.

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

The Group determines its specific accounting policies and estimates according to manufacturing and operation feature. It mainly reflected in provision for bad debts of receivables (Note 2(10)), inventory costing method (Note 2(11)), amortisation of fixed assets and intangible assets (Note 2(13) and (16)), criteria for determining capitalised development expenditure (Note 2(16)), and timing for revenue recognition (Note 2(23)).

Please see Note 2(29) for the key judgements adopted by the Group in applying important accounting policies.

**(1) Basis of preparation**

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), and *Information Disclosure Rule No. 15 for Companies with Public Traded Securities - Financial Reporting General Provision* issued by China Security Regulatory Commission.

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(1) Basis of preparation (Cont'd)**

As at 31 December 2016, the Group had net current liabilities of about RMB4.477 billion and committed capital expenditure of about RMB0.281 billion (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, and in 2016, the net cash inflow from operation activities is approximately RMB2.241 billion; 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 2016, the Group had unutilised banking facilities of approximately RMB4.260 billion, among which long-term banking facilities were about RMB0.860 billion. In addition, the shareholder of the Group or other appointed related parties are willing to provide the Group with RMB2.00 billion interest-free loan. As at report date, the shareholder of Group has provided RMB0.7 billion interest-free loan. The Group also has other sources of financing, such as issuing short-term bonds, ultra-short-term financing bonds and medium-term notes. The directors are of view that the banking facilities and shareholder's support 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 2016 are in compliance with the *Accounting Standards for Business Enterprises*, and truly and completely present the financial position of the consolidated and the Company as at 31 December 2016 and their financial performance, cash flows and other information for the year then ended.

**(3) Accounting year**

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 enterprises under common control**

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

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

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are

CSG HOLDING CO., LTD.

Notes to the financial statements for the year ended 31 December 2016

(All amounts in RMB Yuan unless otherwise stated)

included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(6) Preparation of consolidated financial statements**

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of a subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements under equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sales of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to shareholders of the parent company. Unrealised profits and losses resulting from the sales of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to shareholders of the parent company and non-controlling interests in accordance with the allocation proportion of the parent company in the subsidiary. Unrealised profits and losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to shareholders of the parent company and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(6) Preparation of consolidated financial statements(Cont'd)**

After the control over the subsidiary has been gained, whole or partial minority equities of the subsidiary owned by minority shareholders are acquired from the subsidiary's minority shareholders. In the consolidated financial statements, the subsidiary's assets and liabilities are reflected with amount based on continuous calculation starting from the acquisition date or consolidation date. Capital surplus is adjusted according to the difference between newly increased long-term equity investment arising from acquisition of minority equity and the share of net assets calculated based on current shareholding ratio that the parent company is entitled to. The share is subject to continuous calculation starting from the acquisition date or consolidation date. If the capital surplus (capital premium or share capital premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of the Group.

**(7) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, 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 transaction**

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 currencies are translated into RMB using the spot exchange rates 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 or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. 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 overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. The differences arising from the above translation are presented separately in the shareholders' equity. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(9) Financial instrument

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group had no financial assets at fair value through profit or loss and held-to-maturity investments for 2016.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes receivable, accounts receivable and other receivables. (Note 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 and measurement

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. The related transaction costs that are attributable to the acquisition of receivables and available-for-sale financial assets are included in their initial recognition amounts.

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. Receivables are measured at amortised cost using the effective interest method.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(9) Financial instrument (Cont'd)

(a) Financial assets (Cont'd)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence of impairment losses on financial assets refers to events that actually incurred after the initial recognition of financial assets, have influence on the expected future cash flow from the financial assets and the influence can be reliably measured.

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% (inclusive) 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% (inclusive) 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. The Group calculates the initial investment cost of initial available-for-sale equity instruments investment using the weighted average method.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its 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 is recovered and the recovery is 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 profit or loss.

If an impairment loss on available-for-sale financial assets measured at fair value is incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in shareholders' equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly 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 sum of the consideration received and the cumulative changes in fair value that had been recognised directly in owner's equity, is recognised in profit or loss.



**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(9) Financial instrument (Cont'd)**

**(b) Financial liabilities**

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

The fair value change of financial liabilities at fair value through profit or loss is charged to income statement.

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

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

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

A financial liability (or a part of a financial liability) is derecognised when all or part of the obligation is extinguished. 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 fair value of 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 that is not traded in an active market is determined by using a valuation technique. During valuation, the Group adopts a valuation technique suitable for current situation, which is supported by sufficient available data and other information, chooses the inputs consistent with the feature of assets or liabilities considered in the transaction thereof with market participants, and uses related observable inputs in preference to the greatest extent. Unobservable inputs are used when it is unable to obtain or is infeasible for related observable inputs.

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(10) Receivables**

Receivables comprise notes receivable, accounts receivable and other receivables. Accounts receivable arising from sales of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

**(a) Receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts**

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

The basis or amount for individually significant receivables is individually greater than RMB20 million.

**(b) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts**

If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

**(c) Receivables that are subject to provision for bad debts on the grouping basis**

Receivables with amounts that have not been individually provided for impairment are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

Basis for portfolio is as follows:

Portfolio 1	Receivables not impaired after separate assessment
Portfolio 2	Related party portfolio

The percentage of provision for the portfolio:

	Percentage of provision for accounts receivable	Percentage of provision for other receivables
Portfolio 1	2%	2%
Portfolio 2	2%	2%

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

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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(11) Inventories

(a) Classification

Inventories refer to manufacturing sector, including raw materials, work in progress, finished goods and turnover materials, and are measured at the lower of cost and net realisable value.

(b) Inventory costing method

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Amortisation methods of low value consumables and packaging materials

Turnover materials include low value consumables and packaging materials, which are expensed when issued.

(d) The determination of net realisable value and the method of provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over 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 related 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, and the Group's long-term equity investments in its associates.

Subsidiaries are the investees over which the Company is able to exercise control. Associates are the 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. Investments in associates are accounted for using the equity method.

(a) 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 carrying amount 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.

**NOTES TO THE FINANCIAL STATEMENTS  
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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(12) Long-term equity investments (Cont'd)

(b) Subsequent measurement and recognition of related profit or loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment 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 acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts 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 additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, its proportionate share is directly recorded into capital surplus, provided that the proportion of the shareholding of the Group in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control, jointly control or significant influence over investees

The term "control" refers to the power in the investees, to obtain variable returns by participating in the related business activities of the investees, and the ability to affect the returns by exercising its power over the investees.

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.

(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)).

(13) Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, machinery and equipment, motor vehicles and others.

Fixed assets are recognised when it is probable that the related economic benefits will probably flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially

**CSG HOLDING CO., LTD.**

**NOTES TO THE FINANCIAL STATEMENTS  
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[English translation for reference only]

measured at cost at the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

### 2 Summary of significant accounting policies and accounting estimates (Cont'd)

#### (13) Fixed assets (Cont'd)

##### (a) Recognition and initial measurement (Cont'd)

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

##### (b) Depreciation methods

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 that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Buildings	20 to 35 years	5%	2.71% to 4.75%
Machinery and equipment	8 to 20 years	5%	4.75% to 11.88%
Motor vehicles and others	5 to 8 years	0%	12.50% to 20.00%

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 each year-end.

##### (c) The carrying amount of a fixed asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (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 from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

#### (14) Construction in progress

Construction in progress is recorded at actual cost. Actual cost comprises construction cost, installation cost, borrowing costs eligible for capitalised condition and necessary expenditures incurred for its 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 depreciation begins from the following month.

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

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(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(15) Borrowing costs**

The borrowing costs that are directly attributable to the acquisition and construction of an asset that needs a substantially long period of time for its intended use commence to be capitalised 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 and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which 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 the specific borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of an asset qualifying for capitalisation, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which the estimated future cash flows during the period of expected duration of the borrowings or applicable shorter period are discounted to the initial amount of the borrowings.

**(16) Intangible assets**

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Intangible assets, mainly including land use rights, patents and proprietary technologies, exploitation rights and others, are measured at cost.

**(a) Land use rights**

Land use rights are amortised on the straight-line basis over their approved use period of 30 to 70 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

**(b) Patents and proprietary technologies**

Patents are amortised on a straight-line basis over the estimated use life.

**(c) Exploitation rights**

Exploitation rights are amortised on a straight-line basis over permitted exploitation periods on the exploitation certificate.

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

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(16) Intangible assets (Cont'd)

(e) Research and development

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 form an intangible asset at end of the project.

Expenditure on the research phase related to planned survey, evaluation and selection for research on manufacturing technique is recognised in profit or loss in the period in which it is incurred. Prior to mass production, expenditure on the development phase related to the design and testing phase in regards to the final application of manufacturing technique is capitalised only if all of the following conditions are satisfied:

- the development of manufacturing technique has been fully demonstrated by technical team;
- management has approved the budget for the development of manufacturing technique;
- there are research and analysis of pre-market research explaining that products manufactured with such technique are capable of marketing;
- There is sufficient technical and capital to support the development of manufacturing technique and subsequent mass production; and the expenditure on manufacturing technique development can be reliably gathered.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(f) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount when the recoverable amount is below the carrying amount (Note 2 (18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses include the expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(18) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that they may be impaired. If the result of the impairment test indicates that the recoverable amount of an 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. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group



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of assets is the smallest group of assets that is able to generate independent cash inflows.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(18) Impairment of long-term assets (Cont'd)**

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying amount of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

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

**(19) Employee benefits**

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

**(a) Short-term employee benefits**

Short-term employee benefits include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical care, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds and paid short-term leave, etc. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits shall be measured at fair value.

**(b) Post-employment benefits**

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

**Basic pensions**

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, local labour and social security institutions have a duty to pay the basic pension insurance to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(19) Employee benefits (Cont'd)

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

The termination benefits expected to be paid within one year since the balance sheet date are classified as current liabilities.

(20) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (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 laws. 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 utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and associates, except where the Group is able to control the timing of 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 utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(22) Provisions**

Business restructuring, provisions for product warranties, loss contracts etc. are recognised when the Group has a present obligation, 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.

A provision is 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 a provision. 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 provision arising from passage of time is recognised as interest expense.

The carrying amount of provision is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be paid within one year since the balance sheet date are classified as current liabilities.

**(23) Revenue recognition**

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

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

**(a) Sales of goods**

The Group mainly sells flat and engineering glass, products related to solar energy, and electronic glass and displays. 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 recognises revenue. For export sales, the Group recognises 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**

Revenue is recognised for the rendering of service by the Group to external parties upon the completion of related service.

**(c) Transfer of asset use rights**

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

**(24) Government grants**

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including tax refund and financial subsidies, etc.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(24) Government grants (Cont'd)**

A government grant is 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. Non-monetary government grant are measured at fair value, if the fair value cannot be reliably obtained, it is measured at nominal amount.

The government grants related to assets refer to government grant obtained by enterprises and used for purchase and construction of long-term assets or formation of long-term asset in other ways. The government grants related to income refer to grants other than those related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

**(25) Leases**

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised as revenue on a straight-line basis over the period of the lease.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(26) Held for sale**

A non-current asset or a disposal group is classified as held for sale when all of the following conditions are satisfied: (1) the non-current asset or the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group; (3) the Group has signed an irrevocable transfer agreement with the transferee; and (4) the transfer is to be completed within one year.

Non-current assets (except for financial assets, investment properties at fair value and deferred tax assets) that meet the recognition criteria for held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. The difference between fair value less costs to sell and carrying amount, should be presented as impairment loss.

Such non-current assets and assets included in disposal groups as classified as held for sale are accounted for as current assets; while liabilities included in disposal groups classified as held for sale are accounted for as current liabilities, and are presented separately in the balance sheet.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and is separately identifiable operationally and for financial reporting purposes, and satisfies one of the following conditions: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and (3) is a subsidiary acquired exclusively with a view to resale.

**(27) Safety production costs**

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 appropriates safety production costs on following basis:

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

The safety production costs is mainly used for the overhaul, renewal and maintenance of safety facilities. The safety production costs are charged to costs of related products or profit or loss when appropriated, and safety production costs in equity account are credited correspondingly. When using 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.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(28) Segment information**

The Group identifies operating segments based on the internal organisation structure, management requirements and 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 revenue and incur expenses from its 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 one single operating segment.

**(29) Critical accounting estimates and judgements**

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

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

**(a) Income tax**

The Group is subject to Income tax in numerous jurisdictions. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for Income tax in each of these jurisdictions. Where the final identified outcome of these tax matters is different from the initially-recorded amount, such difference will impact the income tax expenses and deferred income tax in the period in which such determination is finally made.

**(b) Deferred income tax**

Estimates on deferred tax assets are based on estimates on amount of taxable income and applicable tax rate for every year. Realisation of deferred income tax are subject to sufficient taxable income that are possible to be obtained by the Group in the future. 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. 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 carrying amount by continually using the assets or disposal; and (3) whether the assumptions used in expected obtainable present value of future cash flows are appropriate.

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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

(29) Critical accounting estimates and judgements (Cont'd)

(c) Impairment of long-term assets (excluding goodwill) (Cont'd)

Various assumptions, including the discount rate and growth rate applied in the method of present value of future cash flow, are required in evaluating the recoverable amount of 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

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, 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. Thus, the estimated result based on existing experience may be different from the actual result of the next accounting period, which may cause major adjustment to the carrying amount of fixed assets on balance sheet.

(e) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require use of estimates (Note 4 (12)).

If management revises the gross margin that is used in the calculation of the future cash flows of asset groups and groups of asset groups, and the revised gross margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the pre-tax discount rate applied to the discounted cash flows, and the revised pre-tax discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual gross margin/pre-tax discount rate is higher/lower than management's estimates, the impairment loss of goodwill previously provided for is not allowed to be reversed by the Group



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**2 Summary of significant accounting policies and accounting estimates (Cont'd)**

**(30) Prior period accounting error correction**

Company signed an irrevocable equity transfer agreement with Shenzhen Xinshi Investment Co.,Ltd.(深圳信实投资有限公司)("Shenzhen Xinshi Investment") on 16 August 2013 to transfer 19% stock rights of Shenzhen CSG Display, held by company to Xinshi Investment with price of 424.98 million. Company discovered one supplemental agreement signed on the same day as above equity transfer agreement when preparing financial statements of current period. The supplemental agreement includes terms in relation to that either the company or Xinshi Investment's entitlement of requiring the opposite party to sell or buy the shares of Shenzhen CSG Display at promissory price. This supplemental agreement was not able to be considered or recognised in prior periods. According to *Accounting Standards for Business Enterprises 22—Recognition and measure of financial instruments*, the company considers the buy-back obligation as a derivative financial instrument, which should be recognized as financial liabilities at fair value through profit or loss in financial statements of related accounting periods.

Group and the company conducted retroactive adjustment regarding above accounting error. In consolidated balance sheet, as at 31 December 2015, financial liabilities at fair value through profit or loss is increased by RMB228.5 million (1 January 2015: RMB136.4 million), surplus reserve is decreased by RMB22.85 million (1 January 2015: RMB13.64 million), undistributed profits is decreased by RMB205.65 million (1 January 2015: RMB122.76 million); In consolidated income statement, for the year ended 31 December 2015, gain or loss from changes in fair value is increased by RMB 92.1 million.

In company's balance sheet, as at 31 December 2015, financial liabilities at fair value through profit or loss is increased by RMB228.5 million (1 January 2015: RMB136.4 million), surplus reserve is decreased by RMB22.85 million (1 January 2015: RMB13.64 million), undistributed profits is decreased by RMB205.65 million (1 January 2015: RMB122.76 million); In consolidated income statement, for the year ended 31 December 2015, gain or loss from changes in fair value is increased by RMB92.1 million.

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**3 Taxation**

- (1) The main categories and rates of taxes applicable to the Group are set out below:

Category	Taxable basis	Tax rate
Enterprise income tax	Taxable income	0% to 25%
Value-added tax ("VAT")	Taxable value-added amount (Tax payable is calculated using 6% to 17% the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	
City maintenance and construction tax	and VAT and Business tax paid	1% to 7%
Educational surcharge	VAT and Business tax paid	3% to 5%
Resource tax	Quantities of Silica sold	3 Yuan per ton

Some subsidiaries of the Group have used the "exempt, credit, refund" method on goods exported and the refund rate is 5%-17%.

- (2) Tax incentives

The main tax incentives the Group is entitled to are as follows:

Tianjin Energy Conservation Glass Co., Ltd. ("Tianjin Energy Conservation") passed review on a high and new tech enterprise in 2015 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2015.

Dongguan CSG Architectural Glass Co., Ltd. ("Dongguan CSG") passed review on a high and new tech enterprise in 2016 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2016.

Wujiang CSG North-east Architectural Glass Co., Ltd. ("Wujiang CSG") passed review on a high and new tech enterprise in 2014 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2014.

Dongguan CSG Solar Glass Co., Ltd. ("Dongguan CSG Solar") passed review on a high and new tech enterprise in 2014 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2014.

Yichang CSG Silicon Co., Ltd. ("Yichang CSG Silicon") passed review on a high and new tech enterprise in 2014 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2014.

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**3 Taxation (Cont'd)**

**(2) Tax incentives (Cont'd)**

Dongguan CSG PV-tech Co., Ltd. ("Dongguan CSG PV-tech") passed review on a high and new tech enterprise in 2016 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2016.

Hebei Shichuang Glass Co., Ltd. ("Hebei Shichuang") passed review on a high and new tech enterprise in 2016 and obtained the *Certificate of High and New Tech Enterprise*, the period of validity is three years. It applies to 15% tax rate for three years since 2016.

Wujiang CSG Glass Co., Ltd. ("Wujiang CSG") was recognised as a high and new tech enterprise in 2014, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2014.

Xianning CSG Glass Co Ltd. ("Xianning CSG") was recognised as a high and new tech enterprise in 2014, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2014.

Xianning CSG Energy-Saving Glass Co., Ltd. ("Xianning CSG Energy-Saving") was recognised as a high and new tech enterprise in 2015, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2015.

Yichang CSG Photoelectric Glass Co., Ltd. ("Yichang CSG Photoelectric") was recognised as a high and new tech enterprise in 2015, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2015.

Shenzhen CSG Display was recognised as a high and new tech enterprise in 2015, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2015.

Yichang CSG Display Co., Ltd ("Yichang CSG Display") was recognised as a high and new tech enterprise in 2016, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2016.

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**3 Taxation (Cont'd)**

**(2) Tax incentives (Cont'd)**

Qingyuan CSG New Energy-Saving Materials Co., Ltd. ("Qingyuan CSG Energy-Saving") was recognised as a high and new tech enterprise in 2016, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2016.

Sichuan CSG Energy Conservation Glass Co., Ltd. ("Sichuan CSG Energy Conservation") obtains enterprise income tax preferential treatment for Western Development, and temporarily calculates enterprise income tax at a tax rate of 15% for current year.

Chengdu CSG Glass Co., Ltd. ("Chengdu CSG") obtains enterprise income tax preferential treatment for Western Development, and temporarily calculates enterprise income tax at a tax rate of 15% for current year.

Qingyuan CSG New Energy Co., Ltd. ("Qingyuan CSG New Energy"), Suzhou CSG PV Energy Co., Ltd. ("Suzhou CSG PV Energy"), Jiangsu Wujiang CSG New Energy Co., Ltd. ("Wujiang CSG New Energy"), and Yichang CSG New Energy Co., Ltd. ("Yichang CSG New Energy") are public infrastructure project specially supported by the state in accordance with the Article 87 in *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, and can enjoy the tax preferential policy of "three-year exemptions and three-year halves", that is, starting from the tax year when the first revenue from production and operation occurs, the enterprise income tax is exempted from the first to the third year, while half of the enterprise income tax is collected for the following three years. Qingyuan CSG New Energy, Suzhou CSG PV Energy and Wujiang CSG New Energy started to carry out operations in 2015, while Yichang CSG New Energy started operation in 2016. The applicable enterprise income tax rate for them is 0% for the current year.

In addition, pursuant to the document Fogang Guo Shui Shui Tong [2015] No. 2489, the VAT for photovoltaic power generation of Qingyuan CSG New Energy is subject to the refund upon collection policy.

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**4 Notes to the consolidated financial statements****(1) Cash at bank and on hand**

	31 December 2016	31 December 2015
Cash on hand	17,239	20,172
Cash at bank	584,549,751	574,654,753
Other cash balances	2,236,515	4,159,595
	<u>586,803,505</u>	<u>578,834,520</u>
Including: Total overseas deposits	<u>12,956,226</u>	<u>4,694,162</u>

Other cash balances include margin deposits for issuing letters of credit and applying loans, amounting to RMB2,236,515 (31 December 2015: RMB4,089,643), which is restricted cash.

**(2) Notes receivable**

	31 December 2016	31 December 2015
Trade acceptance notes	317,789,825	266,547,833
Bank acceptance notes	138,557,412	186,998,705
	<u>456,347,237</u>	<u>453,546,538</u>

**(a) As at 31 December 2016, notes receivable which have been endorsed or discounted by the Group but are not yet due are as follows:**

	Derecognised	Not derecognised
Trade acceptance notes	-	195,481,727
Bank acceptance notes	1,851,587,947	-
	<u>1,851,587,947</u>	<u>195,481,727</u>

**(3) Accounts receivable**

	31 December 2016	31 December 2015
Accounts receivable	644,454,374	462,441,209
Less: Provision for bad debts	(16,468,391)	(9,479,597)
	<u>627,985,983</u>	<u>452,961,612</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(3) Accounts receivable (Cont'd)**

- i. The ageing of accounts receivable is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	628,822,515	462,008,298
1 to 2 years	15,585,397	386,449
2 to 3 years	-	46,462
Over 3 years	46,462	-
	<u>644,454,374</u>	<u>462,441,209</u>

As at 31 December 2016, accounts receivable of RMB50,609,529 (31 December 2015: RMB55,238,169) were overdue. But based on analysis on financial positions and credit records of such customers, such receivables were considered recoverable and unimpaired by the Company. Therefore no provision for impairment loss had been made. The overdue ageing of the accounts receivable is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	47,568,459	54,896,720
1 to 2 years	3,041,070	386,449
	<u>50,609,529</u>	<u>55,283,169</u>

- ii. Accounts receivable are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	% of total balance	Provision for bad debts	%	Amount	% of total balance	Provision for bad debts	%
Provision for bad debts by groupings								
Portfolio 1	631,863,585	98%	(12,187,534)	2%	453,786,944	98%	(8,610,132)	2%
Portfolio 2	-	-	-	-	7,943,674	2%	(158,874)	2%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	12,590,789	2%	(4,280,857)	34%	710,591	0%	(710,591)	100%
	<u>644,454,374</u>	<u>100%</u>	<u>(16,468,391)</u>	<u>3%</u>	<u>462,441,209</u>	<u>100%</u>	<u>(9,479,597)</u>	<u>2%</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(3) Accounts receivable (Cont'd)**

- iii. Provision for bad debts provided on grouping basis using the percentage of provision method is analysed as follows:

	31 December 2016			31 December 2015		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	631,863,585	(12,187,534)	2%	453,786,944	(8,610,132)	2%
Portfolio 2	-	-	-	7,943,674	(158,874)	2%
	<u>631,863,585</u>	<u>(12,187,534)</u>	<u>2%</u>	<u>461,730,618</u>	<u>(8,769,006)</u>	<u>2%</u>

- iv. As at 31 December 2016, the Company had no accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis (31 December 2015: Nil).
- v. As at 31 December 2016, accounts receivable of RMB12,590,789 (31 December 2015: RMB710,591) were not individually significant but provided for bad debts separately. It mainly represented the goods receivable due from a client of the subsidiary, Yichang CSG Display. Due to the client's bankruptcy, Yichang CSG Display made full provision against this receivable. It also represented the goods receivable due from a client of the subsidiary, Dongguan CSG PV-tech. Due to business dispute, Dongguan CSG PV-tech made partial provision against the receivable.
- vi. Accounts receivables of RMB94,230 were written off this year, all of which were low amount of accounts receivable and none of which arose from related-party transactions. The reasons for the written-off included disputes with customers and inability to contact with creditors and etc.
- vii. As at 31 December 2016, the Group's top five entities with the largest accounts receivable balances are set out as below:

	Balance	Provision for bad debts	Percentage in total accounts receivable balance
Total balances for the five largest accounts receivable	<u>176,300,383</u>	<u>(3,526,008)</u>	<u>27%</u>

**(4) Advances to suppliers**

- (a) The ageing of advances to suppliers is analysed below:

	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	80,819,387	84%	106,939,220	97%
1 to 2 years	14,913,745	16%	2,546,699	2%
Over 3 years	-	-	355,376	1%

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<u>95,733,132</u>	<u>100%</u>	<u>109,841,295</u>	<u>100%</u>
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As at 31 December 2016, advances to suppliers over 1 year with a carrying amount of RMB14,913,745 (31 December 2015: RMB2,902,075) were mainly advances paid for materials, which were not fully settled since the materials had not been received.



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**4 Notes to the consolidated financial statements (Cont'd)**

## (4) Advances to suppliers (Cont'd)

(b) As at 31 December 2016, the five largest advances to suppliers are analysed as follows:

	Balance	Percentage in total advances to suppliers balance
Total balances for the five largest advances to suppliers	39,084,582	41%

## (5) Other receivables

	31 December 2016	31 December 2015
Receivables from related parties (Note 8(5))	-	90,436,480
Refundable deposits	6,121,403	10,341,895
Payments made on behalf of other parties	25,019,422	12,865,719
Petty cash	959,785	1,014,999
Export tax rebates receivable	755,372	1,995,748
Others	1,047,235	1,943,311
	33,903,217	118,598,152
Less: Provision for bad debts	(674,068)	(2,373,782)
	33,229,149	116,224,370

(a) The ageing of other receivables is analysed as follows:

	31 December 2016	31 December 2015
Within 1 year	19,918,108	113,589,830
1 to 2 years	11,275,420	915,962
2 to 3 years	903,685	249,004
3 to 4 years	123,670	2,797,061
4 to 5 years	1,156,315	653,295
Over 5 years	526,019	393,000
	33,903,217	118,598,152

As at 31 December 2016, other receivables of RMB1,806,004 (31 December 2015: RMB3,843,356) were overdue. But based on analysis on financial positions and credit records of such customers, such receivables were considered recoverable and unimpaired by the Company. Therefore no provision for impairment loss had been made. The overdue ageing of the other receivables are all above 3 years.

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**4 Notes to the consolidated financial statements (Cont'd)**

## (5) Other receivables (Cont'd)

## (b) Other receivables are analysed by categories as follows:

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	% of total balance	Provision for bad debts	%	Amount	% of total balance	Provision for bad debts	%
Provision for bad debts by groupings								
Portfolio 1	33,903,217	100%	(674,068)	2%	28,161,672	24%	(565,052)	2%
Portfolio 2	-	-	-	-	90,436,480	76%	(1,808,730)	2%
	<u>33,903,217</u>	<u>100%</u>	<u>(674,068)</u>	<u>2%</u>	<u>118,598,152</u>	<u>100%</u>	<u>(2,373,782)</u>	<u>2%</u>

## (c) Other receivables of RMB2,516 were written off this year, all of which were low amount of accounts receivable and none of which arose from related-party transactions. The reasons for the written-off included disputes with customers and inability to contact with creditors and etc.

## (d) For other receivables provided for bad debts by portfolio, the percentage of provision for the portfolio is as follows:

	31 December 2016			31 December 2015		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	33,903,217	(674,068)	2%	28,161,672	(565,052)	2%
Portfolio 2	-	-	-	90,436,480	(1,808,730)	2%
	<u>33,903,217</u>	<u>(674,068)</u>	<u>2%</u>	<u>118,598,152</u>	<u>(2,373,782)</u>	<u>2%</u>

## (e) As at 31 December 2016, the top 5 largest other receivables are analysed as bellow:

		Nature of business	Balance	Ageing	Percentage in total other receivables balance	Provision for bad debts
Governmental department	Independent third party		11,067,754	Within 1 year	33%	221,355
Company A	Independent third party		6,368,821	Within 1 year	19%	127,376
Company B	Independent third party		3,183,030	Within 1 year	9%	63,661
Governmental department	Independent third party		2,537,016	1 to 2 years	7%	50,740
Governmental department	Independent third party		755,372	Within 1 year	2%	15,107
			<u>23,911,993</u>		<u>70%</u>	<u>478,239</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(6) Inventories****(a) Inventories are summarised by categories as follows:**

	31 December 2016			31 December 2015		
	Carrying amount	Provision for decline in the value of inventories	Carrying amount	Carrying amount	Provision for decline in the value of inventories	Carrying amount
Raw materials	166,639,254	(2,025,446)	164,613,808	136,073,385	(1,988,441)	134,084,944
Work in progress	18,893,651	-	18,893,651	12,201,768	-	12,201,768
Finished goods	274,559,889	(6,347,741)	268,212,148	169,850,460	(21,650)	169,828,810
Turnover materials	26,061,318	-	26,061,318	34,310,210	-	34,310,210
	<u>486,154,112</u>	<u>(8,373,187)</u>	<u>477,780,925</u>	<u>352,435,823</u>	<u>(2,010,091)</u>	<u>350,425,732</u>

**(b) Provision for decline in the value of inventories are analysed as follows:**

	31 December 2015	Business combinations involving enterprises not under common control	Increase in current year	Reversal in current year	31 December 2016
Finished goods	21,650	1,693,711	6,722,984	(2,090,604)	6,347,741
Raw materials	<u>1,988,441</u>	<u>810,921</u>	<u>-</u>	<u>(773,916)</u>	<u>2,025,446</u>
	<u>2,010,091</u>	<u>2,504,632</u>	<u>6,722,984</u>	<u>(2,864,520)</u>	<u>8,373,187</u>

**(c) Provision for decline in the value of inventories is as follows:**

	Basis for provision for decline in the value of inventories	Reasons of reversal of the decline in the value of inventories
Finished goods	The amount of carrying amount less net realisable value due to decline in price of products	Sold
Raw materials	The amount of book value less net realisable value due to sluggish or damaged raw materials	Used

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**4 Notes to the consolidated financial statements (Cont'd)**

(7) Other current assets

	31 December 2016	31 December 2015
VAT to be offset	150,317,894	91,413,758
Asstes held for sale (Note4(10),(11))	40,049,163	-
Enterprise income tax prepaid	1,325,723	17,025,433
VAT input to be recognised	8,212,797	9,919,926
	<u>199,905,577</u>	<u>118,359,117</u>

(8) Long-term equity investments

	31 December 2016	31 December 2015
Associates(a)	-	668,210,253
	<u>-</u>	<u>668,210,253</u>

(a) Associates

		Movements for the year ended 31 December 2016					
		31 December 2015	Share of net profit/(loss) under equity method	Other changes in equity	Business combinations involving enterprises not under common control (Note 5(1))	31 December 2016	Provision for impairment loss
Shenzhen Display	CSG	668,210,253	5,071,685	81,143	(673,363,081)	-	-

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**4 Notes to the consolidated financial statements (Cont'd)****(9) Fixed assets**

	Buildings	Machinery and equipment	Motor vehicles	Total
Cost				
31 December 2015	3,355,091,235	9,984,689,080	183,896,384	13,523,676,699
Increase in current year				
Acquisition	3,856,976	17,177,351	7,413,118	28,447,445
Transfers from construction in progress (Note 4(10))	275,405,564	1,001,029,063	4,736,916	1,281,171,543
Business combinations involving enterprises not under common control	272,021,239	716,623,423	12,847,539	1,001,492,201
Adjustment of completion settlement	6,470,304	2,309,949	-	8,780,253
Decrease in current year				
Disposal or retirement	(1,508,791)	(22,532,618)	(6,970,890)	(31,012,299)
31 December 2016	3,911,336,527	11,699,296,248	201,923,067	15,812,555,842

## Accumulated depreciation

31 December 2015	503,153,539	2,478,151,198	150,403,266	3,131,708,003
Increase in current year				
Provision	114,682,019	752,951,936	23,623,786	891,257,741
Business combinations involving enterprises not under common control	12,322,095	74,434,891	4,978,408	91,735,394
Decrease in current year				
Disposal or retirement	(211,416)	(17,931,817)	(6,740,440)	(24,883,673)
31 December 2016	629,946,237	3,287,606,208	172,265,020	4,089,817,465

## Provision for impairment loss

31 December 2015	-	192,293,767	-	192,293,767
Provision	-	49,894,197	-	49,894,197
Business combinations involving enterprises not under common control	-	22,661,350	-	22,661,350
Disposal or retirement	-	(83,928)	-	(83,928)
31 December 2016	-	264,765,386	-	264,765,386

## Carrying amount

31 December 2016	3,281,390,290	8,146,924,654	29,658,047	11,457,972,991
31 December 2015	2,851,937,696	7,314,244,115	33,493,118	10,199,674,929

In 2016, the depreciation amount provided for fixed assets was RMB891,257,741 (2015: RMB795,986,554), and the amount of depreciation expenses charged to cost of sales, selling and distribution expenses, general and administrative expenses and construction in progress was RMB819,298,731, RMB979,874, RMB59,067,087, and

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RMB11,912,049 (2015: RMB714,879,317, RMB1,143,119, RMB69,203,264, RMB10,760,854), respectively.

In 2016, the cost of fixed assets transferred from construction in progress amounted to RMB1,281,171,543 (2015: RMB1,498,641,678).

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**4 Notes to the consolidated financial statements (Cont'd)****(9) Fixed assets (Cont'd)****(a) Fixed assets with pending certificates of ownership**

	Carrying amount	Reasons for not yet obtaining certificates of title
Buildings	968,010,192	Have submitted the required documents and are in the process of application, or the related land use right certificate pending

**(10) Construction in progress**

	31 December 2016			31 December 2015		
	Carrying amount	Provision for impairment loss	Carrying amount	Carrying amount	Provision for impairment loss	Carrying amount
Hebei float 900T tech-innovation project	388,627,081	-	388,627,081	219,284,657	-	219,284,657
Yichang CSG Display panel display project	274,342,571	(14,160,474)	260,182,097	-	-	-
Yichang 5000T electronic-grade polysilicon project	171,211,288	-	171,211,288	6,426,987	-	6,426,987
Chengdu float 550T line tech-renovation	102,304,740	-	102,304,740	66,834,070	-	66,834,070
Yichang 1GW silicon slice project	95,011,027	-	95,011,027	-	-	-
Heyuan Kibing PV tech 11MV distributed generation project	85,126,446	-	85,126,446	-	-	-
Dongguan Solar Glass Phase I and II improvement project	78,970,995	(33,075,116)	45,895,879	78,769,781	(33,075,116)	45,694,665
Wujiang float glass project	70,178,986	(19,876,460)	50,302,526	71,554,818	(19,876,460)	51,678,358
Xianning CSG Photoelectric Glass project	41,267,876	-	41,267,876	-	-	-
Dongguan PV Tech 200MW PV-tech Battery Expansion project	8,224,072	-	8,224,072	138,128,566	-	138,128,566
Sichuan energy-saving project Phase III	13,005,928	-	13,005,928	12,700,388	-	12,700,388
Yichang 700MW silicon slice expansion project	1,775,641	-	1,775,641	2,417,282	-	2,417,282
Wujiang energy glass expansion project	1,583,553	-	1,583,553	4,054,084	-	4,054,084
Xianning energy-saving glass project	1,083,430	-	1,083,430	13,392,938	-	13,392,938
Qingyuan high-performance ultrathin electronic glass project	1,034,372	-	1,034,372	491,656,054	-	491,656,054
Chengdu float 700T line tech-renovation	-	-	-	223,787,831	-	223,787,831
Others	95,460,421	-	95,460,421	63,284,900	-	63,284,900
	<u>1,429,208,427</u>	<u>(67,112,050)</u>	<u>1,362,096,377</u>	<u>1,392,292,356</u>	<u>(52,951,576)</u>	<u>1,339,340,780</u>

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4 Notes to the consolidated financial statements (Cont'd)

(10) Construction in progress (Cont'd)

(a) Movement of significant project

Project name	Budget	31 December 2015	Business combinations involving enterprises not under common control	Increase in current year	Transfer to fixed assets in current year	Other decreases in current year	Transfer to assets held for sale	31 December 2016	Proportion between engineering input and budget (i)	Amount of borrowing costs capitalised in 2016	Including: Amount of borrowing costs capitalised in 2016	Capitalisation rate for in current year	Source of fund
Hebei float 900T tech-innovation project	124,000,000	219,284,657	-	173,395,923	(3,708,660)	(344,839)		388,627,081	90%	3,154,300	3,154,300	4.94%	Internal fund
Yichang CSG Display panel display project	1,970,000,000	-	239,350,737	47,988,539	(12,996,705)	-		274,342,571	51%	997,643	997,643	4.36%	Internal fund
Yichang 5000T electronic-grade polysilicon project	698,396,700	6,426,987	-	164,784,301	-	-		171,211,288	25%	3,209,535	3,150,253	4.18%	Internal fund and bank loan
Chengdu float 550T line tech-renovation	200,000,000	66,834,070	-	37,136,915	-	(1,666,245)		102,304,740	69%	-	-	-	Internal fund
Yichang 1GW silicon slice project	1,073,209,600	-	-	95,011,027	-	-		95,011,027	9%	546,225	546,225	4.18%	Internal fund and bank loan
Heyuan Kibing PV tech 11MW distributed generation project	91,610,000	-	-	85,126,446	-	-		85,126,446	93%	-	-	-	Internal fund and bank loan
Dongguan Solar Glass Phase I and II improvement project	396,410,000	78,769,781	-	201,214	-	-		78,970,995	80%	-	-	-	Internal fund
Wujiang float glass project	845,630,000	71,554,818	-	4,746,520	(6,070,274)	(52,078)		70,178,986	99%	20,120,444	-	-	Internal fund and bank loan
Xianning CSG Photoelectric Glass project	510,000,000	-	-	41,267,876	-	-		41,267,876	17%	-	-	-	Internal fund and bank loan
Dongguan PV Tech 200MW PV-tech Battery Expansion project	697,000,000	138,128,566	-	-	(105,366,670)	-	(24,537,824)	8,224,072	100%	32,015,800	-	4.40%	Internal fund and bank loan
Sichuan energy-saving project Phase III	222,817,517	12,700,388	-	366,484	-	(60,944)		13,005,928	92%	-	-	-	Internal fund
Yichang 700MW silicon slice expansion project (ii)	1,980,000,000	2,417,282	-	45,982,433	(46,624,074)	-		1,775,641	75%	17,594,454	248,796	4.18%	Internal fund and bank loan
Wujiang energy glass expansion project	520,100,000	4,054,084	-	15,582,721	(17,952,785)	(100,467)		1,583,553	88%	6,321,397	-	-	Internal fund and bank loan
Xianning energy-saving glass project	295,270,606	13,392,938	-	6,302,711	(17,462,402)	(1,149,817)		1,083,430	99%	11,306,278	-	-	Internal fund and bank loan
Qingyuan high-performance ultrathin electronic glass project	471,660,000	491,656,054	-	75,944,952	(566,566,634)	-		1,034,372	100%	15,210,774	3,925,032	4.60%	Internal fund and bank loan
Chengdu float 700T line tech-renovation	106,053,391	223,787,831	-	319,544	(224,107,375)	-		-	100%	778,377	-	0.00%	Internal fund



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Dongguan PV Tech 150MW PV-tech Battery Expansion project	168,100,000	-	-	117,093,065	(117,093,065)	-	-	59%	2,323,854	2,323,854	-	Internal fund and bank loan
Zhangzhou PV tech 11MW distributed generation project	77,480,000	-	-	68,659,064	(68,659,064)	-	-	89%	-	-	-	Internal fund and bank loan
Others	527,050,400	63,284,900	-	127,505,975	(94,563,835)	(766,619)	95,460,421	90%	51,409,525	1,000,415	0% to 6.00%	Internal fund
		<u>1,392,292,356</u>	<u>239,350,737</u>	<u>1,107,415,710</u>	<u>(1,281,171,543)</u>	<u>(4,141,009)</u>	<u>(24,537,824)</u>		<u>164,988,606</u>	<u>15,346,518</u>		

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**4 Notes to the consolidated financial statements (Cont'd)****(10) Construction in progress (Cont'd)**

- (i) The proportion of project expenditure incurred to the budget is determined by the accumulative expenditures incurred divided by the total budget. Some of the projects are transferred to property, plant, and equipment because the construction is completed.
- (ii) The subsidiary of the Group, Dongguan CSG PV-tech signed a grant contract of land use right with third party Dongguan Chaoyin Textile Co., LTD. (Dongguan Chaoyin Company) on 17 June 2016. Dongguan CSG PV-tech sells its land use right along with the buildings on the land to Dongguan Chaoyin Company. Therefore, the construction-in-progress and intangible assets of Dongguan CSG PV-tech were transferred to assets held for sale. As at 31 December 2016, the transfer of property rights had not been finalised.
- (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**

Project name	31 December 2015	Business combinations involving enterprises not under common control	Decrease in current year	31 December 2016	Reason for provision
Dongguan Solar Glass Phase I and II improvement project	33,075,116	-	-	33,075,116	-
Wujiang float glass project	19,876,460	-	-	19,876,460	-
Yichang CSG Display panel display project	-	14,160,474	-	14,160,474	-
	<u>52,951,576</u>	<u>14,160,474</u>	<u>-</u>	<u>67,112,050</u>	-

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**4 Notes to the consolidated financial statements (Cont'd)****(11) Intangible assets and development expenditure**

	Land use rights	Patents and proprietary technologies	Exploitation rights	Others	Total
Cost					
31 December 2015	859,283,718	135,523,184	4,456,536	23,246,513	1,022,509,951
Business combinations involving enterprises not under common control(Note5)	167,798,945	40,798,682	-	197,436	208,795,063
Acquisition in current year	31,776,079	387,335	-	104,098	32,267,512
Transfers from development expenditure in current year	-	23,213,785	-	-	23,213,785
Transfer to asstes held for sale	(17,363,439)	-	-	-	(17,363,439)
Decrease in current year	(14,891,603)	-	-	-	(14,891,603)
31 December 2016	1,026,603,700	199,922,986	4,456,536	23,548,047	1,254,531,269

## Accumulated amortisation

31 December 2015	100,590,100	43,606,821	2,905,442	15,958,297	163,060,660
Business combinations involving enterprises not under common control(Note5)	9,611,444	1,065,029	-	69,231	10,745,704
Increase in current year	19,658,233	12,553,893	400,641	4,294,781	36,907,548
Transfer to assets held for sale	(1,852,100)	-	-	-	(1,852,100)
31 December 2016	128,007,677	57,225,743	3,306,083	20,322,309	208,861,812

## Provision for impairment loss

31 December 2015	-	13,201,347	-	9,133	13,210,480
31 December 2016	-	13,201,347	-	9,133	13,210,480

## Carrying amount

31 December 2016	898,596,023	129,495,896	1,150,453	3,216,605	1,032,458,977
31 December 2015	758,693,618	78,715,016	1,551,094	7,279,083	846,238,811

In 2016, the amortisation of intangible assets amounted to RMB36,907,548 (2015: RMB31,956,839).

As at 31 December 2016, ownership certificates of land use rights ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB5,718,191 (cost: RMB6,586,712) had not yet been obtained by the Group (31 December 2015: carrying amount: RMB5,179,819, cost: RMB5,650,712). The Company's management 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.

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**4 Notes to the consolidated financial statements (Cont'd)****(11) Intangible assets and development expenditure (Cont'd)**

Research expenditure is analysed below:

	31 December 2015	Business combinations involving enterprises not under common control	Increase in current year	Decrease in current year		31 December 2016
				Recognised : expens	Recognised : intangible asse	
Development costs	26,280,426	7,436,549	58,182,478	(1,757,954)	(23,213,785)	66,927,714

In 2016, the total amount of research and development expenditures of the Group was RMB341,553,966 (2015: RMB239,933,028), including RMB285,129,442 (2015: RMB231,328,258) recorded in income statement for current period and the research and development expenditure with the amount of RMB23,213,758 recognised as intangible assets for the current period (2015: Nil). As at 31 December 2016, the intangible assets arising from internal research and development accounted for 9.51% of total of intangible assets (31 December 2015: 9.44%).

**(12) Goodwill**

	31 December 2015	Increase in current year	Decrease in current year	December 2016
Tianjin CSG Architectural Glass Co., Ltd.	3,039,946	-	-	3,039,946
Xianning CSG Photoelectric	-	4,857,406	-	4,857,406
Shenzhen CSG Display	-	389,494,804	-	389,494,804
	<u>3,039,946</u>	<u>394,352,210</u>	<u>-</u>	<u>397,392,156</u>

The goodwill increased in current year are from purchasing Xianning CSG Photoelectric and Shenzhen CSG Display(Note(5)(1)).

The goodwill allocated to the asset groups and groups of asset groups from Tianjin CSG Architectural was summarised by operating segments as Architectural Glass segment. The goodwill allocated to the asset groups and groups of asset groups from Shenzhen CSG Display and Xianning CSG Photoelectric are summarised by operating segments as Electronic Glass and Display segment.

The Company's management considered that the goodwill was not impaired as at 31 December 2016.

The recoverable amount of asset groups is determined by net present value of estimated future cash flows which is determined according to the five-year budget approved by management. The cashflow exceed five years is forecasted by using growth rates not exceeding similar long-term average growth rates of each asset group's industry. The discount rates used are the pre-tax interest rates that are able to reflect the risks specific to the related asset groups. The employed discount rate is 11%-14%.

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**4 Notes to the consolidated financial statements (Cont'd)****(13) Deferred tax assets and liabilities****(a) Deferred tax assets before offsetting**

	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary difference	Deferred tax asset
Provision for asset impairments	410,272,182	61,899,046	334,825,820	52,780,849
Tax losses	164,790,392	28,883,903	322,298,445	62,556,980
Government grants	129,722,993	20,654,199	146,503,008	25,717,201
Accrued expenses	81,018,069	12,352,386	38,018,222	5,740,840
Depreciation of fixed assets	28,241,461	6,320,146	30,352,519	6,285,954
	<u>814,045,097</u>	<u>130,109,680</u>	<u>871,998,014</u>	<u>153,081,824</u>

Including:

Expected to be reversed within one year (inclusive)	33,957,444	27,300,904
Expected to be reversed after one year	96,152,236	125,780,920
	<u>130,109,680</u>	<u>153,081,824</u>

**(c) Deferred tax liabilities before offsetting**

	31 December 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	396,118,583	63,406,963	248,051,984	52,277,180
	<u>396,118,583</u>	<u>63,406,963</u>	<u>248,051,984</u>	<u>52,277,180</u>

Including:		
Expected to be reversed within one year (inclusive)	3,342,336	3,896,344
Expected to be reversed after one year	60,064,627	48,380,836
	<u>63,406,963</u>	<u>52,277,180</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

## (13) Deferred tax assets and liabilities (Cont'd)

- (c) Deductible losses that are not recognised as deferred tax assets of the Group are analysed as follows:

	31 December 2016	31 December 2015
Deductible losses	342,455,782	236,054,574

The deductible tax losses not recognised as deferred tax assets mainly represented the tax losses of the Company and some closed subsidiaries. Management was unable to expect that whether there were taxable profit would 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 2016	31 December 2015
2017	-	5,224,377
2018	54,100,000	54,100,000
2019	82,300,000	82,300,000
2020	94,430,197	94,430,197
2021	111,625,585	-
	342,455,782	236,054,574

- (e) The net balances of deferred tax assets and liabilities after offsetting are as follows:

	31 December 2016		31 December 2015	
	Net deferred tax assets or liabilities	Deductible/taxable temporary differences after offsetting	Net deferred tax assets or liabilities	Deductible/taxable temporary differences after offsetting
Deferred tax assets	96,451,854	565,834,538	110,336,216	683,386,112
Deferred tax liabilities	29,749,137	147,908,024	9,531,572	59,440,080

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**4 Notes to the consolidated financial statements (Cont'd)****(14) Other non-current assets**

	31 December 2016	31 December 2015
Prepayment for equipment and software upgrading expenses	69,945,550	58,073,451
VAT input to be offset	10,718,843	-
Prepayment for lease of land use rights	6,510,000	6,510,000
	<u>87,174,393</u>	<u>64,583,451</u>

**(15) Provision for asset impairment**

	31 December 2015	Business combination s involving enterprises not under common control	Increase in current year	Reversal in current year	Written off in current year	31 December 2016
Provision for bad debts	11,853,379	3,140,243	10,621,752	(8,376,169)	(96,746)	17,142,459
Including: Provision for bad debts of accounts receivable	9,479,597	2,940,448	10,279,352	(6,136,776)	(94,230)	16,468,391
Provision for bad debts of other receivables	2,373,782	199,795	342,400	(2,239,393)	(2,516)	674,068
Provision for decline in the value of inventories	2,010,091	2,504,632	6,722,984	-	(2,864,520)	8,373,187
Provision for impairment of fixed assets	192,293,767	22,661,350	49,894,197	-	(83,928)	264,765,386
Provision for impairment of construction in progress	52,951,576	14,160,474	-	-	-	67,112,050
Provision for impairment of intangible assets	13,210,480	-	-	-	-	13,210,480
	<u>272,319,293</u>	<u>42,466,699</u>	<u>67,238,933</u>	<u>(8,376,169)</u>	<u>(3,045,194)</u>	<u>370,603,562</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(16) Short-term borrowings**

	31 December 2016	31 December 2015
Ultra-short-term financial bonds (i)	2,000,000,000	1,900,000,000
Unsecured	1,650,251,293	193,327,754
Guaranteed (ii)	367,618,369	122,998,916
Short-term financial bonds	-	1,000,000,000
	<u>4,017,869,662</u>	<u>3,216,326,670</u>

- (i) Approved by file No. [2015] SCP163 of Inter-bank Market Trading Association, the Company is entitled to issue ultra-short-term financial bonds with the limit of RMB4,000,000,000, which expires on 28 May 2017.

On 24 April 2015, the Company issued the Phase I short-term financial bonds of RMB600,000,000 for 2015, with the maturity data of 23 April 2016 and annual rate of 4.28%. As at the reporting date, such short-term bonds had been repaid.

On 15 June 2015, the Company issued the Phase I ultra-short-term financial bonds of RMB800,000,000 for 2015, with the maturity data of 11 March 2016 and annual rate of 4.25%. As at the reporting date, such short-term bonds had been repaid.

On 18 September 2015, the Company issued the Phase II short-term financial bonds of RMB400,000,000 for 2015, with the maturity data of 17 September 2016 and annual rate of 3.5%. As at the reporting date, such short-term bonds had been repaid.

On 15 October 2015, the Company issued the Phase II ultra-short-term financial bonds of RMB1,100,000,000 for 2015, with the maturity data of 11 July 2016 and annual rate of 3.81%. As at the reporting date, such short-term bonds had been repaid.

On 10 March 2016, the Company issued the Phase I ultra-short-term financial bonds of RMB800,000,000 for 2016, with the maturity data of 6 December 2016 and annual rate of 3.15%. As at the reporting date, such short-term bonds had been repaid.

On 17 May 2016, the Company issued the Phase II ultra-short-term financial bonds of RMB900,000,000 for 2016, with the maturity data of 13 February 2017 and annual rate of 4.18%. As at the reporting date, such short-term bonds had been repaid.

On 2 August 2016, the Company issued the Phase III ultra-short-term financial bonds of RMB600,000,000 for 2016, with the maturity data of 1 May 2017 and annual rate of 3.67%.

On 1 September 2016, the Company issued the Phase IV ultra-short-term financial bonds of RMB500,000,000 for 2016, with the maturity data of 2 June 2017 and annual rate of 3.50%.

- (ii) As at 31 December 2016, the Company provided its subsidiaries with guarantee for the short-term borrowings of RMB367,618,369 (31 December 2015: RMB122,998,916), and the Company had no counter guarantee from minority shareholders of subsidiaries (31 December 2015: Nil).
- (iii) As at 31 December 2016, the interest of short-term borrowings varied from 2.70% to 4.79% (31 December 2015: 2.99% to 5.35%).



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**4 Notes to the consolidated financial statements (Cont'd)****(17) Financial liabilities at fair value through profit or loss**

	31 December 2016	31 December 2015
Derivative financial instruments	-	228,500,000

As stated in Note 2(30), Group conducted correction on prior period accounting error. As of 31 December 2015, Group recognized financial liabilities at fair value through profit or loss RMB228.5 million, the change in fair value during holding period is accounted under "gain or loss from changes in fair value"(Note4(42)).

**(18) Notes payable**

	31 December 2016	31 December 2015
Bank acceptance notes	20,000,000	8,000,000

All notes payable are due within one year.

**(19) Accounts payable**

	31 December 2016	31 December 2015
Materials payable	747,769,987	463,007,059
Equipment payable	233,779,329	254,823,632
Construction expenses payable	100,246,462	128,382,224
Freight payable	40,916,380	35,445,881
Utilities payable	44,602,055	26,077,686
Others	2,555,157	7,529,569
	<u>1,169,869,370</u>	<u>915,266,051</u>

As at 31 December 2016, the amount of accounts payable over 1 year was approximately RMB140,385,720 (31 December 2015: RMB167,398,806), which mainly comprised payables for construction and equipment. As the construction work had not passed the final acceptance test yet, the balance was not yet settled.

**(20) Advances from customers**

	31 December 2016	31 December 2015
Advances for goods from customers	<u>142,330,979</u>	<u>117,434,636</u>

The ageing of balances was substantively within 1 year.

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**4 Notes to the consolidated financial statements (Cont'd)****(21) Employee benefits payable**

	31 December 2016	31 December 2015
Short-term employee benefits payable (a)	193,166,719	170,538,391
Defined contribution plans payable (b)	205,520	1,222
	<u>193,372,239</u>	<u>170,539,613</u>

**(a) Short-term employee benefits**

	31 December 2015	Consolidated increase in business combinations involving enterprises not under common control	Increase in current year	Decrease in current year	31 December 2016
Wages and salaries, bonus, allowances and subsidies	118,460,821	6,663,798	938,880,059	(904,403,459)	159,601,219
Social security contributions	688	-	33,072,182	(33,022,539)	50,331
Including: Medical insurance	547	-	27,753,492	(27,722,699)	31,340
Work injury insurance	110	-	3,634,768	(3,622,201)	12,677
Maternity insurance	31	-	1,683,922	(1,677,639)	6,314
Housing funds	2,153,760	130,155	46,011,162	(45,691,286)	2,603,791
Labour union funds and employee education funds	14,483,122	2,609,345	12,627,799	(14,148,888)	15,571,378
Management bonus (i)	35,440,000	-	82,470,000	(102,570,000)	15,340,000
	<u>170,538,391</u>	<u>9,403,298</u>	<u>1,113,061,202</u>	<u>(1,099,836,172)</u>	<u>193,166,719</u>

Pursuant to the resolution at the 5th session in the 7th meeting of the board of directors of the Company on 31 March 2015, the board of directors adopted a management bonus scheme which was based on the quarterly return on net assets and the net profit for the quarter. During the year, management bonuses amounting to RMB82,470,000 (2015: RMB35,440,000) were accrued and charged to profit or loss.

**(b) Defined contribution plans**

	31 December 2015	Consolidated increase in business combinations involving enterprises not under common control	Increase in current year	Decrease in current year	31 December 2016
Basic pensions	1,051	-	92,189,796	(91,998,067)	192,780
Unemployment insurance	171	-	7,154,440	(7,141,871)	12,740
	<u>1,222</u>	<u>-</u>	<u>99,344,236</u>	<u>(99,139,938)</u>	<u>205,520</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(22) Taxes payable**

	31 December 2016	31 December 2015
VAT payable	41,919,187	31,442,580
Enterprise income tax payable	46,726,185	71,805,502
Housing property tax payable	10,998,756	7,134,641
Individual income tax payable	3,755,374	2,252,413
City maintenance and construction tax payable	3,482,715	1,602,050
Educational surcharge payable	3,351,165	1,976,366
Others	5,359,234	3,612,625
	<u>115,592,616</u>	<u>119,826,177</u>

**(23) Interest payable**

	31 December 2016	31 December 2015
Interest of ultra-short-term financial bonds	32,854,763	27,424,900
Interest payable for medium term notes	27,621,021	27,622,300
Interest for corporate bonds	10,660,000	10,660,000
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	4,800,133	920,625
Interest payable for short-term borrowings	2,289,987	1,124,981
Interest payable for short-term financial bonds	-	21,611,000
	<u>78,225,904</u>	<u>89,363,806</u>

**(24) Other payables**

	31 December 2016	31 December 2015
Guarantee deposits received from construction contractors	69,156,801	55,047,908
Accrued cost of sales (i)	47,671,047	37,260,225
Temporary collection of payment for land transfer	28,098,000	-
Payable for contracted labour costs	17,467,346	13,675,896
Temporary receipts	14,022,924	24,660,996
Deposit for disabled	3,509,947	4,509,243
Others	8,395,385	7,866,787
	<u>188,321,450</u>	<u>143,021,055</u>

(i) It represented the payment made to external third parties arising from undertaking the rights of debtor and creditor, comprising water and electricity, professional service fee and travelling expenses etc.

The ageing of other payables was substantively within 1 year.

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**4 Notes to the consolidated financial statements (Cont'd)****(25) Current portion of non-current liabilities**

	31 December 2016	31 December 2015
Current portion of long-term borrowings		
- Guaranteed	29,340,000	-
- Unsecured	-	239,000,000
Current portion of corporate bonds (i)	1,000,000,000	-
	<u>1,029,340,000</u>	<u>239,000,000</u>

**(26) Long-term borrowings**

	31 December 2016	31 December 2015
Medium term notes (i)	1,200,000,000	1,200,000,000
Unsecured	180,000,000	-
Guaranteed	58,660,000	-
	<u>1,438,660,000</u>	<u>1,200,000,000</u>

- (i) Approved by file No. [2015] MTN225 of Inter-bank Market Trading Association, the Company is entitled to issue medium term notes with the limit of RMB1,200,000,000, which expires on 28 May 2017.

On 14 July 2015, the Company issued the Phase I medium term notes of RMB1,200,000,000 for 2015, with the maturity date of 14 July 2020 and annual rate of 4.94%.

As at 31 December 2016, the interest of long-term borrowings varied from 4.51% to 4.94% (31 December 2015: 4.94%).

**(27) Bonds payable**

	31 December 2016	31 December 2015
Corporation bonds	<u>-</u>	<u>1,000,000,000</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 ("5 year Bonds") 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 carries at fixed interest rate of 5.33% per year, with interest paid annually. The bonds are recognised at the actual amount of discount bonds, with the actual annual rate of 5.59%. 5-year bonds have been repaid on 19 October 2015, no 7-year bonds shall be resold by investors, and are matured on 19 October 2017.

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## 4 Notes to the consolidated financial statements (Cont'd)

### (28) Deferred income

	31 December 2016	31 December 2015
Government grants	422,993,254	383,599,103

Government grants are analysed as follows:

Government grants	31 December 2015	Consolidated increase in business combinations involving enterprises not under common control	Increase in current year	Other decrease in current year	Non-operating income in current year	31 December 2016	Assets/Income related
Tianjin CSG Golden Sun Project (i)	60,466,903	-	-	-	(3,374,892)	57,092,011	Assets related
Dongguan CSG Golden Sun Project (ii)	48,830,250	-	-	-	(2,751,000)	46,079,250	Assets related
Hebei CSG Golden Sun Project (iii)	49,500,000	-	-	-	(2,750,000)	46,750,000	Assets related
Xianning CSG Golden Sun Project (iv)	54,043,917	-	-	-	(3,030,500)	51,013,417	Assets related
Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v)	47,711,973	-	-	-	(4,041,538)	43,670,435	Assets related
Qingyuan Energy-saving project (vi)	24,700,000	-	-	-	(1,440,833)	23,259,167	Assets related
Yichang Silicon products project (vii)	27,421,875	-	-	-	(2,812,500)	24,609,375	Assets related
Yichang CSG silicon slice auxiliary project (viii)	15,118,343	-	-	-	(1,227,734)	13,890,609	Assets related
Sichuan energy-saving glass project (ix)	13,783,500	-	-	-	(1,654,020)	12,129,480	Assets related
Group coating film experimental project (x)	10,543,800	-	-	-	(1,508,760)	9,035,040	Assets related
Yichang expert silicon project (xi)	-	-	3,988,337	-	(81,790)	3,906,547	Assets related
Yichang semiconductor silicon project (xii)	-	-	4,000,000	-	(333,333)	3,666,667	Assets related
Shenzhen CSG Display project (xiii)	-	51,097,830	3,646,313	-	(1,373,061)	53,371,082	Assets related
Others	31,478,542	-	4,716,600	-	(1,674,968)	34,520,174	Assets related/Income related
	383,599,103	51,097,830	16,351,250	-	(28,054,929)	422,993,254	

- (i) The allowance was granted by Tianjin Municipal Government. The allowance was used for establishing PV power station by Tianjin CSG Architectural Glass Co., Ltd. The facilities belonged to Tianjin CSG upon completion. The allowance will be credited to income statement in 20 years, the useful life of the PV power station.
- (ii) The allowance was granted by Dongguan Municipal Government. The allowance was used for establishing PV power station by Dongguan CSG Architectural Glass Co., Ltd. The facilities belonged to Dongguan CSG upon completion. The allowance will be credited to income statement in 20 years, the useful life of the PV power station.
- (iii) The allowance was granted by Langfang Municipal Government. The allowance was used for establishing PV power station by Hebei CSG Glass Co., Ltd. ("Hebei CSG"). When the facilities

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were set up, they belonged to Hebei CSG. The allowance will be credited to income statement in 20 years, the useful life of the PV power station.

- (iv) The allowance was granted by Xianning Municipal Government. The allowance was used for establishing PV power station by Xianning CSG Glass Co Ltd. The facilities belonged to Xianning CSG upon completion. The allowance will be credited to income statement in 20 years, the useful life of the PV power station.

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**4 Notes to the consolidated financial statements (Cont'd)**

**(28) Deferred income (Cont'd)**

- (v) The allowance was infrastructure compensation granted by Wujiang municipal government, and will be credited to income statement in 15 years, the shortest operating period as committed by the Group.
- (vi) The allowance was a pilot project for strategic emerging industry clusters development, which was used to establish high performance ultra-thin electronic glass production lines by Qingyuan CSG. The allowance will be credited to income statement in 10 years, the useful life of the production line.
- (vii) The balance represented amounts granted to Yi Chang CSG Silicon Materials Co., Ltd. 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, which will be amortised by 15 years according to the useful life of the converting station.
- (viii) It represented the government supporting fund obtained by Yichang Silicon from the acquiring of the assets and liabilities of Crucible project of Yichang Hejing Photoelectric Ceramic Co., Ltd. The proceeds would be amortised and credited to income statement by 15 years after related assets were put into use.
- (ix) 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 by the Group.
- (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 by 20 years in the estimated useful life of the relevant fixed assets.
- (xi) It represented the funds granted by Hubei local government for import discount complement and international corporation special subsidy. The grant will be amortised and credited to income statement by 12 and 14 years
- (xii) It represented the special subsidy of Yichang National Regional Strategic Emerging Industry Development Pilot Project II, which is used to complement Yichang CSG Silicon "Hubei semiconductor silicon preparative technique project laboratory". The grant will be amortised and credited to income statement by 15 years
- (xiii) It represented the business combinations involving enterprises not under common control and the increase in deferred income arising from incorporating the deferred income of Shenzhen CSG Display into the consolidated scope.

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**4 Notes to the consolidated financial statements (Cont'd)****(29) Share capital**

	31 December 2015	Movement for the year ended 31 December 2016					31 December 2016
		New issues during the year	Bonus issue	Capitalisation	Others	Sub-total	
RMB-denominated ordinary shares	1,312,751,568	-	-	-	-	-	1,312,751,568
Domestically listed foreign shares	762,583,992	-	-	-	-	-	762,583,992
	<u>2,075,335,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,075,335,560</u>

	31 December 2014	Movement for the year ended 31 December 2015					31 December 2015
		New issues during the year	Bonus issue	Capitalisation	Others	Sub-total	
RMB-denominated ordinary shares	1,312,751,568	-	-	-	-	-	1,312,751,568
Domestically listed foreign shares	762,583,992	-	-	-	-	-	762,583,992
	<u>2,075,335,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,075,335,560</u>

The par value of the RMB-denominated ordinary shares is RMB1, and that of domestically listed foreign shares is HKD1.

**(30) Capital surplus**

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Share premium	1,345,264,670	-	-	1,345,264,670
Other capital surplus	(83,873,398)	483,405	(1,172,480)	(84,562,473)
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	676,277	81,143	-	757,420
Share-based payment	2,409,421	402,262	-	2,811,683
Transfer of capital surplus recognised under the previous accounting system	(2,250,222)	-	-	(2,250,222)
Disposal of fractional shares	1,316,208	-	-	1,316,208
Purchase of minority interests (a)	(86,025,082)	-	(1,172,480)	(87,197,562)
	<u>1,261,391,272</u>	<u>483,405</u>	<u>(1,172,480)</u>	<u>1,260,702,197</u>

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Share premium	1,345,264,670	-	-	1,345,264,670
Other capital surplus	(5,173,763)	595,420	(79,295,055)	(83,873,398)
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	351,615	324,662	-	676,277
Share-based payment	2,409,421	-	-	2,409,421



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Transfer of capital surplus recognised under the previous accounting system	(2,250,222)	-	-	(2,250,222)
Disposal of fractional shares	1,045,450	270,758	-	1,316,208
Purchase of minority interests	(6,730,027)	-	(79,295,055)	(86,025,082)
	1,340,090,907	595,420	(79,295,055)	1,261,391,272

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**4 Notes to the consolidated financial statements (Cont'd)**

(30) Capital surplus(Cont'd)

(a) The reason for the decrease of capital reserve - other in current year was the acquisition of minority interests, with the detail as follows:

- (i) On 18 December 2015, the subsidiary of the Company, Dongguan CSG Solar, purchased 25% of equities of the Company's subsidiary, Yingde Hongsheng Quartz Sand Co., Ltd., from Guangdong Guanda Petrochemical Co., Ltd. The share transfer procedures were completed on 8 January 2016, and the Company thus held 100% of equities of Yingde Hongsheng Quartz Sand Co., Ltd. The adjustment to capital surplus due to such transaction is set out as below:

Acquisition cost -	
Cash paid for acquisition of minority interests	4,252,960
Less: Share of identifiable net assets in the subsidiary continually calculated at the incorporation date at the proportion of increased part of shares which the Company is entitled to as at the date of transaction	(3,080,480)
Decrease in capital surplus of the Group's consolidated financial statements	<u>1,172,480</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(31) Other comprehensive income

	Other comprehensive income in Balance Sheet			Other comprehensive income in Income Statement for the year ended 31 December 2016				
	31 December 2015	Attributable to parent company after tax	31 December 2016	Actual amount before tax for current year	Less: Reclassification of previous other comprehensive income to profit or loss in current year	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Financial rewards for energy-saving technical retrofits	2,550,000	-	2,550,000	-	-	-	-	-
Difference on translation of foreign currency financial statements	417,772	1,686,199	2,103,971	1,686,199	-	-	1,686,199	-
	<u>2,967,772</u>	<u>1,686,199</u>	<u>4,653,971</u>	<u>1,686,199</u>	<u>-</u>	<u>-</u>	<u>1,686,199</u>	<u>-</u>
	Other comprehensive income in Balance Sheet			Other comprehensive income in Income Statement for the year ended 31 December 2015				
	31 December 2014	Attributable to parent company after tax	31 December 2015	Actual amount before tax for current year	Less: Reclassification of previous other comprehensive income to profit or loss in current year	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax
Other comprehensive income items which will be reclassified subsequently to profit or loss								
Gains or losses arising from changes in fair value of available-for-sale financial assets	(15,970,110)	15,970,110	-	216,926,726	(146,849,267)	(54,107,349)	15,970,110	-

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Financial rewards for energy-saving technical retrofits	2,550,000	-	2,550,000	-	-	-	-	-
Differences on translation of foreign currency financial statements	(100,983)	518,755	417,772	348,208	-	-	518,755	(170,547)
	<u>(13,521,093)</u>	<u>16,488,865</u>	<u>2,967,772</u>	<u>217,274,934</u>	<u>(146,849,267)</u>	<u>(54,107,349)</u>	<u>16,488,865</u>	<u>(170,547)</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(32) Special reserve**

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Safety production costs	15,437,498	6,930,650	(16,524,675)	5,843,473

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

The subsidiary Jiangyou CSG Mining Development Co., LTD.(Jaingyou Mining Company) accrues safety production cost by RMB2 per ton according to Industry finance [2012]16<Accrual and usage of industry safety production costs>.

**(33) Surplus reserve**

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Statutory surplus reserve	731,269,762	29,727,900	-	760,997,662
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	<u>859,122,330</u>	<u>29,727,900</u>	<u>-</u>	<u>888,850,230</u>

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Statutory surplus reserve	689,280,163	41,989,599	-	731,269,762
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	<u>817,132,731</u>	<u>41,989,599</u>	<u>-</u>	<u>859,122,330</u>

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. The Company accrued statutory surplus reserve at the amount of RMB29,727,900, 10% of the net profit, in 2016 (2015: RMB41,989,599, accrued at 10% of the net profit).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The Company did not appropriate to discretionary surplus reserve during the year.

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**4 Notes to the consolidated financial statements (Cont'd)****(34) Undistributed profits**

	2016	2015
Undistributed profits at beginning of year	3,431,556,565	3,978,560,834
Add: Net profits attributable to shareholders of parent company	797,721,576	532,653,110
Less: Appropriation for statutory surplus reserve	(29,727,900)	(41,989,599)
Ordinary share dividends payable (a)	(622,600,668)	(1,037,667,780)
Undistributed profits at end of year	<u>3,576,949,573</u>	<u>3,431,556,565</u>

- (a) Pursuant to the resolution of Board of Directors of the Company on 16 April 2016, the Company paid cash dividends of RMB3 (tax inclusive) for each 10 shares based on total shares of 2,075,335,560, with the total cash dividends distributed of RMB622,600,668.

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

	2016	2015
Revenue from main operations	8,886,948,218	7,347,495,743
Revenue from other operations	87,135,189	83,393,368
	<u>8,974,083,407</u>	<u>7,430,889,111</u>

	2016	2015
Cost of sales from main operations	6,507,044,874	5,776,740,804
Cost of sales from other operations	55,169,499	48,051,826
	<u>6,562,214,373</u>	<u>5,824,792,630</u>

- (a) Revenue and cost of sales from main operations

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

	2016		2015	
	Revenue	Cost	Revenue	Cost
Flat glass	3,996,589,665	3,022,700,133	3,393,855,506	3,017,831,714
Engineering glass	2,948,276,918	2,220,563,625	2,923,961,268	2,055,485,592
Solar panel and parts	2,283,441,881	1,728,673,404	1,539,398,724	1,297,269,369
Electronic glass and displays	424,883,660	303,117,900	186,454,346	102,234,852
Elimination	(766,243,906)	(768,010,188)	(696,174,101)	(696,080,723)
	<u>8,886,948,218</u>	<u>6,507,044,874</u>	<u>7,347,495,743</u>	<u>5,776,740,804</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(35) Revenue and cost of sales (Cont'd)****(b) Revenue and cost of sales from other operations**

	2016		2015	
	Revenue	Cost	Revenue	Cost
Sales of raw materials	63,211,682	45,044,785	55,768,610	33,255,797
Others	23,923,507	10,124,714	27,624,758	14,796,029
	<u>87,135,189</u>	<u>55,169,499</u>	<u>83,393,368</u>	<u>48,051,826</u>

**(36) Taxes and surcharges**

	2016	2015
City maintenance and construction tax	33,343,735	17,978,934
Educational surcharge	26,597,418	16,183,745
Housing property tax	19,980,233	-
Land use rights	14,851,345	-
Business tax	3,486,149	-
Others	4,900,666	4,400,046
	<u>103,159,546</u>	<u>38,562,725</u>

According to Accounting Treatment Stipulation for Value-added Tax, 2016 No.22, published by ministry of finance, since 1 May 2016, Group's property tax, land use tax, and stamp tax are accounted under tax and surcharges. Which were accounted under general and administrative expenses before 1 May 2016.

**(37) Selling and distribution expenses**

	2016	2015
Freight expenses	140,132,227	127,744,579
Employee benefits	100,367,564	97,808,002
Entertainment fees	12,607,179	12,297,397
Business travel expenses	10,738,590	10,561,435
Vehicle use fee	7,358,948	7,391,156
Rental expenses	5,376,741	6,078,622
General office expenses	7,239,581	5,005,457
Depreciation expenses	979,874	1,143,119
Others	17,014,386	15,339,556
	<u>301,815,090</u>	<u>283,369,323</u>

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**4 Notes to the consolidated financial statements (Cont'd)****(38) General and administrative expenses**

	2016	2015
Research and development expenses	285,129,442	231,328,258
Employee benefits	250,150,056	174,220,248
Depreciation expenses	59,067,087	69,203,264
Amortisation of intangible assets	36,907,548	31,956,839
General office expenses	24,313,472	22,210,778
Taxes	16,957,060	57,196,953
Labour union funds	11,325,909	10,418,627
Entertainment fees	10,834,055	7,971,374
Business travel expenses	10,495,397	7,465,872
Utility fees	10,065,166	7,765,954
Canteen costs	8,486,926	7,216,260
Vehicle use fee	6,141,700	4,891,543
Rental expenses	3,104,038	4,712,183
Others	33,611,203	36,139,786
	<u>766,589,059</u>	<u>672,697,939</u>

**(39) Financial expenses**

	2016	2015
Interest on borrowings	273,665,849	287,525,089
Less: Capitalised interest	(15,346,518)	(26,661,077)
Interest expenses	258,319,331	260,864,012
Amortisation of corporate bonds issue costs	-	4,216,795
Less: Interest income	(3,193,680)	(2,644,770)
Exchange losses	249,220	2,510,673
Others	10,445,698	13,740,466
	<u>265,820,569</u>	<u>278,687,176</u>



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**4 Notes to the consolidated financial statements (Cont'd)****(40) Expenses by nature**

The cost of sales, selling and distribution expenses and general and administrative expenses in the income statement are listed as follows by nature:

	2016	2015
Changes in inventories of finished goods and work in progress	(111,401,312)	(2,146,164)
Consumed raw materials and low value consumables, etc.	3,245,155,140	2,705,362,480
Fuel fee	1,059,231,787	1,169,249,454
Employee benefits	1,196,241,368	899,565,544
Depreciation and amortisation expenses	917,152,746	818,246,498
Utility fees	830,921,457	698,582,930
Freight expenses	140,132,227	128,252,319
Taxes	16,957,060	57,196,953
General office expenses	45,018,706	38,178,643
Canteen costs	38,395,686	33,405,309
Business travel expenses	27,482,191	21,506,551
Entertainment fees	24,785,451	21,258,675
Vehicle use fee	15,227,050	14,088,874
Rental expenses	8,480,779	10,790,805
Others	176,838,186	167,321,021
	<u>7,630,618,522</u>	<u>6,780,859,892</u>

**(41) Asset impairment losses**

	2016 年度	2015 年度
Impairment of fixed assets	49,894,197	-
Bad debts	2,245,583	3,893,714
Decline in the value of inventories	6,722,984	-
	<u>58,862,764</u>	<u>3,893,714</u>

**(42) Gain or loss from change in fair value**

	2016 年度	2015 年度
Financial liabilities at fair value through profit or loss		
Change in fair value during holding period of derivative financial instruments	(9,850,256)	(92,100,000)
Losses from disposal of derivative financial instruments(Note 4(43))	238,350,256	-
	<u>228,500,000</u>	<u>(92,100,000)</u>

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## (43) Investment income

	2016	2015
Losses from long-term equity investment under equity method	5,071,685	(7,960,731)
Losses from disposal of financial liabilities at fair value through profit or loss(Note 4(42))	(238,350,256)	-
Losses from disposal of long-term equity investment	(45,909,181)	-
Cash dividend earned during the holding period of available-for-sale financial assets	-	60,372
Gains from disposal of long-term equity investment	-	100,146,152
Investment income from disposal of available-for-sale financial assets	-	195,799,023
	<u>(279,187,752)</u>	<u>288,044,816</u>

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

## (44) Non-operating income

	2016	2015	Amount of non-recurring gains and losses included in 2016
Gains on disposal of non-current assets	1,551,302	2,875,252	1,551,302
Including: Gains on disposal of fixed assets	1,551,302	2,875,252	1,551,302
Government grants (a)	91,627,439	81,013,548	91,627,439
Default income	11,000	15,000	11,000
Compensation income	1,016,936	2,659,198	1,016,936
Amounts unable to pay	875,302	24,580,503	875,302
Others	4,547,962	6,443,880	4,547,962
	<u>99,629,941</u>	<u>117,587,381</u>	<u>99,629,941</u>

## (a) Government grants are analysed below:

	2016	2015	Category
Government grants amortisation (Note 4(28))	28,054,929	53,900,156	Asset-income related
Industry support fund	26,108,198	10,027,300	Income related
Tax returns	25,360,000		Income related
Energy-saving award	414,309	1,457,600	Income related
Government awards fund	2,332,700	5,923,198	Income related
Subsidies for research and development	4,364,900	2,398,999	Income related
Interest subsidy for technological renovation	-	3,128,307	Income related
Energy-saving fund	3,520,000	2,178,200	Income related

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Others	1,472,403	1,999,788	Income related
	91,627,439	81,013,548	

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**4 Notes to the consolidated financial statements (Cont'd)****(45) Non-operating expenses**

	2016	2015	Amount of non-recurring gains and losses included in 2016
Losses on disposal of inventory material	4,096,235	-	4,096,235
Losses on disposal of non-current assets	3,310,660	434,101	3,310,660
Including: Losses on disposal of fixed assets	3,310,660	434,101	3,310,660
Compensation	410,326	202,981	410,326
Donation	120,000	1,000	120,000
Others	518,355	226,425	518,355
	<u>8,455,576</u>	<u>864,507</u>	<u>8,455,576</u>

**(46) Income tax expenses**

	2016	2015
Current income tax	140,207,714	132,872,709
Deferred income tax	11,674,381	(39,052,082)
	<u>151,882,095</u>	<u>93,820,627</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	2016	2015
Total profit	<u>956,108,619</u>	<u>641,553,294</u>
Income tax expenses calculated at applicable tax rates by company	145,901,167	90,559,093
Effect of changes in tax rates	4,545,871	-
Costs, expenses and losses not deductible for tax purposes	2,227,140	2,182,855
Income not subject to tax	(855)	(15,093)
Recognition of previously unrecognised tax deductible losses in current period	-	(3,929,415)
Deductible losses for which no deferred tax asset was recognised in current period	25,603,526	23,607,549
Written-off of deductible losses for which deferred tax asset was recognised previously	1,469,360	1,469,571
Effect of tax incentives	(10,147,358)	(2,987,452)
Reconciliation of income tax for prior years in annual filing	(17,716,756)	(12,228,448)
Reversal of withholding tax on subsidiaries' profit to be distributed	-	(4,838,033)

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Income tax expenses	<u>151,882,095</u>	<u>93,820,627</u>
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**4 Notes to the consolidated financial statements (Cont'd)****(47) Earnings per share****(a) Basic earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares in issue during the year:

	2016	2015
Consolidated net profit attributable to ordinary shareholders of parent company	797,721,576	532,653,110
Weighted average number of outstanding ordinary shares	2,075,335,560	2,075,335,560
Basic earnings per share	0.38	0.26
Including:		
- Basic earnings per share from continuing operations	0.38	0.26
- Basic earnings per share for discontinued operations	-	0.00

**(b) Diluted earnings per share**

Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent 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 for the year ended 31 December 2016 (2015: Nil), accordingly the diluted earnings per share equalled basic earnings per share.

**(48) Notes to the cash flow statement****(a) Cash received relating to other operating activities**

	2016	2015
Government grants	38,212,510	27,113,392
Interest income	3,193,680	2,644,770
Others	5,871,941	4,826,446
	47,278,131	34,584,608

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**4 Notes to the consolidated financial statements (Cont'd)**

## (48) Notes to the cash flow statement (Cont'd)

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

	2016	2015
Freight expenses	170,991,413	151,604,404
Canteen costs	38,395,686	35,957,068
General office expenses	32,516,317	28,254,672
Research and development expenses	25,191,468	30,357,245
Business travel expenses	26,421,204	18,027,306
Entertainment fees	24,573,593	20,268,770
Vehicle use fee	15,227,050	12,282,701
Maintenance fee	15,804,981	7,918,530
Rental expenses	8,480,779	10,790,805
Insurance	10,750,838	10,192,386
Bank fees	10,445,698	13,740,466
Others	173,091,041	165,568,780
	<u>551,890,068</u>	<u>504,963,133</u>

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

	2016	2015
Income from trial production of construction in progress	155,174,454	103,581,270
Final payment of Shenzhen CSG Display's subsidiary equity transfer	150,000,000	-
Government grants related to assets received	16,351,250	35,329,400
Land grant funds received	28,098,000	-
Government lands refund received	14,891,603	-
	<u>364,515,307</u>	<u>138,910,670</u>

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

	2016	2015
Expenses for trial production of construction in progress	166,905,113	215,452,465
Qingyuan CSG Energy-Saving governments grant repayments	15,300,000	-
Cash lent to the Group by display Group for sale and leaseback of assets	-	50,104,299
	<u>182,205,113</u>	<u>265,556,764</u>



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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Supplementary information to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2016	2015
Net profit	804,226,524	547,732,667
Add: Provision for asset impairment	58,862,764	3,893,714
Depreciation of fixed assets	879,345,692	785,225,700
Amortisation of intangible assets	36,907,548	31,956,839
Net movements of safety production costs	(9,594,025)	5,382,232
Amortisation of long-term prepaid expenses	899,506	1,063,959
Net losses/(gains) on disposal of fixed assets and intangible assets	1,759,358	(2,441,151)
Financial expenses	258,319,331	260,864,012
Investment income/(loss)	279,187,752	(288,044,816)
Decrease/(increase) in deferred tax assets	13,884,362	(6,554,322)
Increase/(decrease) in deferred tax liabilities	(2,209,981)	(32,497,760)
(Increase)/decrease in inventories	(228,500,000)	92,100,000
Decrease/(increase) in operating receivables	(71,720,745)	41,039,632
Increase in operating payables	(259,804,129)	(470,348,827)
Increase in operating receivables	479,288,163	123,460,618
Net cash flows from operating activities	<u>2,240,852,120</u>	<u>1,092,832,497</u>

(b) Net increase/(decrease) in cash

	2016	2015
Cash and cash equivalents at end of year	584,566,990	574,744,877
Less: Cash and cash equivalents at beginning of year	<u>(574,744,877)</u>	<u>(156,838,260)</u>
Net increase in cash and cash equivalents	<u>9,822,113</u>	<u>417,906,617</u>

(c) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash		
- Cash on hand	17,239	20,172
- Bank deposits that can be readily drawn on demand	584,549,751	574,654,753
- Other cash balances that can be readily drawn on demand	-	69,952
Cash at end of year	<u>584,566,990</u>	<u>574,744,877</u>

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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Supplementary information to cash flow statement (Cont'd)

(d) Disposal of subsidiaries

	2016	2015
Cash received from disposal of subsidiaries in current year		
Including: Australia CSG	-	1,323,009
Yichang Photoelectric	-	257,530,000
Shenzhen CSG Float Glass Co., Ltd.	-	-
Less: Cash held by subsidiary on the date of control loss		
Including: Australia CSG	-	(15,954,408)
Yichang Photoelectric	-	(2,366,752)
Shenzhen CSG Float Glass Co., Ltd.	-	-
Net proceeds from disposal of subsidiaries	-	240,531,849

Disposal of net assets of subsidiaries

	2016	2015
Current assets	-	77,586,499
Non-current assets	-	399,283,960
Current liabilities	-	(202,710,483)
Non-current liabilities	-	(57,719,660)
	-	216,440,316

(e) Acquisition of subsidiaries

	2016	2015
Cash and cash equivalents paid for business combinations occurring in current year		
Including: Shenzhen CSG Display	464,345,956	-
Xianning CSG Photoelectric	102,000,000	-
Less: Cash and cash equivalents held by the subsidiary at acquisition date		
Including: Shenzhen CSG Display	(27,661,957)	-
Xianning CSG Photoelectric	(35,090,481)	-
Net cash outflow on acquisition of the subsidiary	503,593,518	-

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**4 Notes to the consolidated financial statements (Cont'd)**

(49) Supplementary information to cash flow statement (Cont'd)

(e) Acquisition of subsidiaries (Cont'd)

Consideration for acquisition in 2016:

Shenzhen CSG Display	853,449,600
Xianning CSG Photoelectric	102,000,000
	<u>955,449,600</u>

(50) Monetary items denominated in foreign currencies

	31 December 2016		
	Balances denominated in foreign currencies	Exchange rates	Balances denominated in RMB
Cash at bank and on hand -			
USD	3,511,693	6.9370	24,360,614
HKD	6,206,151	0.8945	5,551,402
AUD	17,441	5.0157	87,479
EUR	89,201	7.3068	651,774
JPY	1,696,980	0.0596	101,140
			<u>30,752,409</u>
Accounts receivable -			
USD	15,243,246	6.9370	105,742,398
EUR	946,785	7.3068	6,917,969
			<u>112,660,367</u>
Short-term borrowings -			
HKD	75,000,000	0.8945	<u>67,087,500</u>
Accounts payable -			
USD	10,687,732	6.9370	74,140,797
HKD	307	0.8945	275
EUR	1,223,704	7.3068	8,941,360
JPY	256,319,430	0.0596	15,276,638
			<u>98,359,070</u>

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**5 Changes in the scope of consolidation**

**(1) Business combinations involving enterprises not under common control**

**(a) Business combinations involving enterprises not under common control incurred in current year**

Acquiree	Acquisition time point	Acquisition cost	Equity ratio acquired	Acquisition method	Acquisition date	Determination basis of acquisition date	Acquiree's income for the period from the acquisition date to end of year	Acquiree's net profit for the period from the acquisition date to end of year	Acquiree's cash flows from operating activities for the period from the acquisition date to end of year	Acquiree's net cash flows for the period from the acquisition date to end of year
Shenzhen CSG Display(i)	03/06/2016	853,449,600	60.80%	By cash	03/06/2016	Irrevocable agreement signed, and transfer procedures completed	275,031,172	23,177,853	(28,148,027)	(6,384,632)
Xianning CSG Photoelectric (ii)	20/06/2016	102,000,000	100%	By cash	20/06/2016	Irrevocable agreement signed, and transfer procedures completed	1,239,439	(2,198,295)	(3,700,884)	(25,423,251)

- i. Group signed equity transfer agreement with Xinshi Investment on 20 May 2016 to acquire 16.1% stock right of Shenzhen CSG Display held by Xinshi Investment with RMB464,345,956. The transaction was completed on 3 June 2016, since then, stock right of Shenzhen CSG Display held by Group increased from 44.7% to 60.8%. Shenzhen CSG Display became Group's subsidiary instead of associate.
- ii. Group signed equity transfer agreement with Fengwei Industry Co., LTD.(Fengwei Industry) , Xinbang Investment Co., LTD.(Xinbang Investment) and Shenzhen Qianhai Ruinan Investment (Qianhai Ruinan) on 20 May 2016 to acquire 100% of Xianning CSG Photoelectric with RMB102 million.

**(b) Details of cost of combination and goodwill recognition are as follows:**

	Shenzhen CSG Display	Xianning CSG Photoelectric
Costs of combination -		
Cash	464,345,956	102,000,000
Less: Financial liabilities at fair value through profit or loss	(238,350,256)	-
Fair value of non-cash assets transferred	627,453,900	-

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Total cost of combination	853,449,600	102,000,000
Less: Fair value of the share of identifiable net assets obtained	(463,954,796)	(97,142,594)
Goodwill	389,494,804	4,857,406

The Group adopts valuation techniques to determine the fair value of non-cash assets transferred and the fair value of liabilities incurred or assumed.

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**5 Changes in the scope of consolidation (Cont'd)**

(1) Business combination involving entities not under common control (Cont'd)

(c) Assets and liabilities of acquirees at the acquisition date are set out as below:

Shenzhen CSG Display:

	Acquisition date	Acquisition date	31 December
	Fair value	Carrying amount	2015
			Carrying amount
Cash at bank and on hand	27,661,957	27,661,957	68,711,272
Receivables	50,839,400	50,839,400	86,424,134
Inventories	58,934,445	50,660,767	75,365,369
Other current assets	190,320,083	190,320,083	516,945,294
Fixed assets	887,025,414	803,538,448	863,746,792
Construction in progress	225,190,263	218,737,719	284,103,193
Intangible assets	194,988,629	160,150,150	177,444,891
Development costs	7,436,549	7,436,549	12,117,053
Goodwill	-	102,120,696	102,120,696
Other non-current assets	16,873,674	16,873,674	20,359,444
Less: Borrowings	(564,000,000)	(564,000,000)	(642,520,860)
Payables	(74,406,391)	(74,406,391)	(760,560,284)
Employee benefits payable	(9,382,348)	(9,382,348)	(12,371,017)
Deferred tax liabilities	(22,427,546)	(2,469,796)	(3,848,970)
Deferred income	(51,097,830)	(51,097,830)	(53,371,082)
Other liabilities	(174,872,753)	(174,872,753)	(52,048,477)
Net assets	763,083,546	752,110,325	682,617,448
Less: Minority interests	(299,128,750)	(294,827,247)	(267,586,040)
Net assets obtained	463,954,796	457,283,078	415,031,408

The fair value of the assets and liabilities of Company Shenzhen CSG Display at the acquisition date are determined by the Group using valuation techniques. The appreciation in valuation of fixed assets mainly include buildings, and machinery equipments. the appreciation in valuation of intangible assets mainly include land use rights and land proprietary technologies; the fair values of other assets and liabilities are approximations of their carrying values.

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**5 Changes in the scope of consolidation (Cont'd)**

- (1) Business combination involving entities not under common control (Cont'd)
- (c) Assets and liabilities of acquirees at the acquisition date are set out as below (Cont'd):

Xianning CSG Photoelectric:

	Acquisition date	Acquisition date	31 December
	Fair value	Carrying amount	2015
			Carrying amount
Cash at bank and on hand	35,090,481	35,090,481	6,337,803
Receivables	1,425,065	1,425,065	81,852
Inventories	558,467	558,467	1,277,215
Other receivables	20,000,000	20,000,000	-
Other current assets	19,288,732	19,288,732	5,235
Held-to-maturity investments	20,000,000	20,000,000	65,000,000
Fixed assets	70,043	70,974	80,242
Intangible assets	3,060,730	-	-
Other non-current asset	108,834	108,834	350,837
Less: Payables	(797,838)	(797,838)	(1,764,765)
Employee benefits payable	(20,950)	(20,950)	(55,800)
Other current liabilities	(1,640,970)	(877,589)	-
Deferred income	-	(20,000,000)	-
Net assets obtained	<u>97,142,594</u>	<u>74,846,176</u>	<u>71,312,619</u>

The fair value of the assets and liabilities of Company Xianning CSG Photoelectric at the acquisition date are determined by the Group using valuation techniques.

- (2) Changes in the scope of consolidation due to other matters

On 15 January 2016, the Group set up a wholly-owned subsidiary, Zhangzhou CSG Kibing Photovoltaic New Energy Co., Ltd., with RMB16,500,000 in cash and 75% of its equity.

On 28 March 2016, the Group set up a wholly-owned subsidiary, Heyuan CSG Kibing Photovoltaic New Energy Co., Ltd., with RMB22,500,000 in cash and 75% of its equity.

On 12 June 2016, the Group set up a wholly-owned subsidiary, Shaoxing CSG Kibing New Energy Co., Ltd., with RMB4,500,000 in cash and 75% of its equity.

On 23Feb 2016, the Group set up a wholly-owned subsidiary, Tongshan CSG Photovoltaic New Energy Co., Ltd., with RMB4,500,000 in cash and 100% of its equity.

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**5 Changes in the scope of consolidation (Cont'd)**

**(2) Changes in the scope of consolidation due to other matters(Cont'd)**

On 26Feb 2016, the Group set up a subsidiary, Chongyang CSG Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 2March 2016, the Group set up a subsidiary, Zhijiang CSG Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 15March 2016, the Group set up a subsidiary, Yangshan CSG Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 18March 2016, the Group set up a subsidiary, Qingyuan CSG Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 11August 2016, the Group set up a subsidiary, Liling CSG Kibing Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 13July 2016, the Group set up a subsidiary, Zhanjiang CSG Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.

On 12July 2016, the Group set up a subsidiary, Changxing CSGKibing Photovoltaic New Energy Co., Ltd. The subsidiary has not funded, and the Group owns 100% of its equity.



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**6 Interest in other entities**

(1) Interest in subsidiaries

(a) Structure of the enterprise group

As at 31 December 2016, information of the Company's major subsidiaries is set out below:

	Major business location	Place of registration	Scope of business	Shareholding (%)	
				Direct	Indirect
Chengdu CSG	Chengdu, PRC	Chengdu, PRC	Development, production and sales of special glass	75%	25%
Sichuan CSG Energy Conservation	Chengdu, PRC	Chengdu, PRC	Development, production and sales of special glass and processing of glass	75%	25%
Tianjin Energy Conservation	Tianjin, PRC	Tianjin, PRC	Development, production and sales of special glass	75%	25%
Dongguan CSG	Dongguan, PRC	Dongguan, PRC	Intensive processing of glass	75%	25%
Dongguan CSG Solar	Dongguan, PRC	Dongguan, PRC	Production and sales of solar glass	75%	25%
Dongguan CSG PV-tech	Dongguan, PRC	Dongguan, PRC	Production and sales of hi-tech green battery and components	-	100%
Yichang CSG Silicon	Yichang, PRC	Yichang, PRC	Production and sales of high-purity silicon materials	75%	25%
Wujiang CSG	Wujiang, PRC	Wujiang, PRC	Intensive processing of glass	75%	25%
Hebei CSG	Yongqing, PRC	Yongqing, PRC	Production and sales of special glass	75%	25%
Wujiang CSG	Wujiang, PRC	Wujiang, PRC	Production and sales of special glass	100%	-
China Southern Glass (Hong Kong) Limited	Hong Kong, PRC	Hong Kong, PRC	Investment holding	100%	-
Hebei Shichuang	Yongqing, PRC	Yongqing, PRC	Production and sales of ultra-thin electronic glass	100%	-
Xianning CSG	Xianning, PRC	Xianning, PRC	Production and sales of special glass	75%	25%
Xianning CSG Energy-Saving	Xianning, PRC	Xianning, PRC	Intensive processing of glass	75%	25%
Qingyuan CSG Energy-Saving	Qingyuan, PRC	Qingyuan, PRC	Production and sales of ultra-thin electronic glass	100%	-
Shenzhen CSG Financial Leasing Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Finance leasing, etc.	75%	25%
Jiangyou CSG Mining Development Co. Ltd.	Jiangyou, PRC	Jiangyou, PRC	Production and sales of silica and its by-products	100%	-
Shenzhen CSG PV Energy Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment management of photovoltaic plant	100%	-
Qingyuan CSG New Energy Co., Ltd.	Qingyuan, PRC	Qingyuan, PRC	Clean energy development, photovoltaic power generation	-	100%
Suzhou CSG PV-tech Co., Ltd.	Wujiang, PRC	Wujiang, PRC	Clean energy development, photovoltaic power generation	-	100%
Wujiang CSG New Energy Co., Ltd.	Wujiang, PRC	Wujiang, PRC	Clean energy development, photovoltaic power generation	-	100%
Yichang CSG New Energy Co., Ltd.	Yichang, PRC	Yichang, PRC	Clean energy development, photovoltaic power generation	-	100%
Shenzhen CSG Display:	Shenzhen, PRC	Shenzhen, PRC	Production and sales of display component products	60.80%	-
Xianning CSG Photoelectric	Xianning, PRC	Xianning, PRC	Photoelectric glass and high aluminium glass	37.50%	62.50%

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[English translation for reference only]

**6 Interest in other entities (Cont'd)**

## (1) Interest in subsidiaries (Cont'd)

## (b) Subsidiaries with significant minority interests

Subsidiaries	Shareholding of minority shareholders	Profit or loss attributable to minority shareholders for the year ended 31 December 2016	Dividends distributed to minority shareholders for the year ended 31 December 2016	Minority interests as at 31 December 2016
Shenzhen CSG Display	39.20%	6,556,083	-	305,827,147

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

		31 December 2016					
		Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Display	CSG	211,285,238	1,338,686,341	1,549,971,579	541,303,424	233,139,941	774,443,365

		2016			
		Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen Display	CSG	423,955,345	92,184,662	92,184,662	(15,179,343)

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**7**

**Segment information**

To meet operating strategies and requirements of business development, the Group adjusted its operating structure in current year. The Group's management allocated resources, evaluated segment performance, updated reporting segment, and disclosed segment information according to revised operating segments in current year. Segment information of prior year had been restated in accordance with updated reporting segments.

Before the revision, the Group's business activities are categorised by product or service as follows:

- Flat glass segment, engaged in production and sales of float glass and the silica for the production thereof, etc.
- Engineering glass segment, engaged in manufacturing and sales of engineering glass, etc.
- Solar energy segment, engaged in manufacturing and sales of polycrystalline silicon and solar battery and applications, etc.

After the revision, the Group's business activities are categorised by product and service as follows:

- Flat glass segment, engaged in production and sales of float glass and the silica for the production thereof, etc.
- Engineering glass segment, engaged in manufacturing and sales of engineering glass, etc.
- Solar energy segment, engaged in manufacturing and sales of polycrystalline silicon and solar battery and applications, etc.
- Electronic glass and display segment is responsible for production and sales of display components and special ultra-thin glass products, etc.

The reportable segments of the Group are the business units that provide different products or service. Different businesses require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each reportable segment and evaluates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

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**7 Segment information (Cont'd)**

(a) Segment information as at and for the year ended 31 December 2016 is as follows:

	Flat glass	Engineering glass	Solar energy	Electronic glass and displays	Others	Unallocated	Elimination	Total
Revenue from external customers	3,281,875,108	2,967,110,911	2,291,096,315	432,923,679	-	1,077,394	-	8,974,083,407
Inter-segment revenue	765,405,468	33,905,747	29,140,901	533,611	-	21,504,477	(850,490,204)	-
Interest income	446,818	262,921	215,863	169,281	69	3,680,920	(1,582,192)	3,193,680
Interest expenses	(93,829,270)	(47,672,530)	(80,249,948)	(20,216,385)	-	(22,179,393)	5,828,195	(258,319,331)
Investment income from associates	-	-	-	-	-	5,071,685	-	5,071,685
Asset impairment losses	(74,633)	(1,272,728)	(52,808,413)	(6,474,743)	-	1,767,753	-	(58,862,764)
Depreciation and amortisation expenses	(335,125,372)	(244,754,640)	(240,386,653)	(89,743,215)	-	(7,142,866)	-	(917,152,746)
Change in fair value of derivative financial instruments	-	-	-	-	-	(9,850,256)	-	(9,850,256)
Total profit/(loss)	578,782,827	292,128,256	246,515,279	19,861,854	(64,601)	(182,881,278)	1,766,282	956,108,619
Income tax (expenses)/income	(84,704,055)	(31,230,684)	(26,285,679)	(9,777,225)	-	115,548	-	(151,882,095)
Net profit/(loss)	494,078,772	260,897,572	220,229,600	10,084,629	(64,601)	(182,765,730)	1,766,282	804,226,524
Total assets	5,597,235,855	3,405,185,487	4,476,309,055	2,594,860,320	135,161	905,509,752	-	16,979,235,630
Total liabilities	918,519,818	871,182,464	519,338,730	566,783,261	2,502,814	5,968,297,524	-	8,846,624,611
Long-term equity investments in joint ventures	-	-	-	-	-	-	-	-
Increase in non-current assets (i)	319,153,179	49,026,363	652,019,325	1,539,319,460	-	4,578,555	-	2,564,096,882

(i) Non-current assets exclude financial assets, long-term equity investments and deferred tax assets.

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**7 Segment information (Cont'd)**

(b) Segment information as at and for the year ended 31 December 2015 is as follows:

	Flat glass	Engineering glass	Solar energy	Electronic glass and displays	Others	Unallocated	Elimination	Total
Revenue from external customers	2,744,350,018	2,927,942,185	1,572,009,270	186,587,638	-	-	-	7,430,889,111
Inter-segment revenue	700,967,664	29,407,986	12,468,946	1,655,950	-	-	(744,500,546)	-
Interest income	341,012	272,984	133,984	64,014	1,685	3,422,872	(1,591,781)	2,644,770
Interest expenses	(47,815,750)	(23,779,467)	(22,994,303)	(1,493,601)	-	(167,501,319)	2,720,428	(260,864,012)
Investment loss from associates	-	-	-	-	-	(7,960,731)	-	(7,960,731)
Asset impairment losses	(337,161)	(1,576,236)	(125,629)	(85,312)	-	(1,769,376)	-	(3,893,714)
Depreciation and amortisation expenses	(327,818,111)	(238,800,452)	(212,829,808)	(33,720,334)	(56)	(7,594,332)	2,516,595	(818,246,498)
Change in fair value of derivative financial instruments	-	-	-	-	-	(92,100,000)	-	(92,100,000)
Total profit/(loss)	88,678,167	475,782,849	89,119,405	38,881,219	(549,077)	(50,265,891)	(93,378)	641,553,294
Income tax (expenses)/income	(7,426,195)	(75,655,387)	(6,539,182)	(5,531,367)	-	1,331,504	-	(93,820,627)
Net profit/(loss)	81,251,972	400,127,462	82,580,223	33,349,852	(549,077)	(48,934,387)	(93,378)	547,732,667
Total assets	5,753,241,626	3,555,919,293	4,029,174,684	1,064,524,216	392,117	1,086,348,224	-	15,489,600,160
Total liabilities	772,668,467	650,763,006	379,953,157	184,018,918	2,715,083	5,850,590,052	-	7,840,708,683
Long-term equity investments in joint ventures	-	-	-	-	-	668,210,253	-	668,210,253
Increase in non-current assets (i)	391,822,864	94,600,684	355,588,828	198,563,163	37,465	8,632,825	-	1,049,245,829

(i) Non-current assets exclude financial assets, long-term equity investments or deferred tax assets.

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**7 Segment information (Cont'd)**

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are as follows:

Revenue from external customers	2016	2015
Mainland	7,971,929,246	6,782,706,262
Hong Kong, PRC	135,128,604	33,763,014
Europe	25,914,385	77,847,670
Asia (other than Mainland and Hong Kong)	614,806,258	440,216,997
Australia	37,437,349	53,640,585
North America	134,941,952	34,437,909
Other regions	53,925,613	8,276,674
	<u>8,974,083,407</u>	<u>7,430,889,111</u>
Total non-current assets	31 December 2016	31 December 2015
Mainland	14,392,447,014	13,136,296,789
Hong Kong, PRC	12,551,254	12,669,672
	<u>14,404,998,268</u>	<u>13,148,966,461</u>

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

**8 Related parties and related party transactions****(1) Information of the parent company**

The Company regards no entity as the parent company.

**(2) The subsidiaries**

The general information and other related information of the subsidiaries are set out in Note 6(1).

**(3) The associates**

As Note 5(1) indicates, Shenzhen CSG Display was the Company's associate, and became Company's subsidiary on 3 June 2016. Related party transactions between Shenzhen CSG Display and the Company prior to 3 June 2016 are set out in Note 8(5).

As at 31 December 2016, the Company had no associates.

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**8 Related parties and related party transactions (Cont'd)**

## (4) Other related parties information

## Relationship with the Group

Shenzhen Jushenghua Co., Ltd. ("Jushenghua")	Persons acting in concert with the first majority shareholder of the Group
Shenzhen Qianhai Ruinan Investment LLP	Company under the control of the Group's former key management

## (5) Related party transactions

## (a) Purchase and sales of goods, provision and receiving of labour

Related parties	Related party transactions	Pricing policies	2016	2015
Shenzhen CSG Display	Purchase of materials	Refer to market price	608,722	-
Shenzhen CSG Display	Sales of goods	Refer to market price	1,500,899	19,956,014
Xianning CSG Photoelectric	Sales of special glass	Refer to market price	2,349,353	-
			<u>4,458,974</u>	<u>19,956,014</u>

## (b) Leases

The Group as the lessor:

Name of the lessee	Category of the leased asset	Lease income recognised in 2016	Lease income recognised in 2015
Shenzhen CSG Display	Equipment under finance leases	2,359,961	867,361
Shenzhen CSG Display	Plant	-	912,000
		<u>2,359,961</u>	<u>1,779,361</u>

## (c) Gains on equity transfer

Related parties	Related party transactions	Pricing principle	2016	2015
Shenzhen Display	CSG Equity of Yichang Photoelectric	Refer to fair value of the equity	-	100,079,340

## (d) Acquisition of equity

Related parties	Related party transactions	Pricing principle	2016	2015
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Shenzhen	Qianhai	Acquire 37.5% of			
Ruinan	Investment	Xianning CSG			
LLP		Photoelectric's	Refer to fair value of		
		equity	the equity	38,250,000	-



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**8 Related parties and related party transactions (Cont'd)**

(4) Related party transactions

(e) Advances paid on behalf of related parties

Related parties	Related party transactions	Pricing policies	2016	2015
Shenzhen Display	CSG Advances of electric charge	Refer to market price	8,168,076	8,162,650

(f) Remuneration of key management

	2016	2015
Remuneration	10,914,002	6,090,400

(6) Receivables from related parties

		31 December 2016		31 December 2015	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable	Shenzhen CSG Display	-	-	7,943,674	(158,874)
Other receivables	Shenzhen CSG Display	-	-	90,436,480	(1,808,730)
Long-term receivables	Shenzhen CSG Display	-	-	50,104,299	-
Advances to suppliers	Shenzhen CSG Display	-	-	9,869,906	-

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**8 Related parties and related party transactions (Cont'd)****(7) Commitments in relation to related parties**

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

Related parties	Related party transactions	Restrictive terms on borrowings	2016	2015
Shenzhen Jushenghua Co., Ltd. ("Jushenghua")	Facility of interest-free loans provided for the Company	Nil	2,000,000,000	-

On 22 November 2016, the Company received a letter from its shareholder, Jushenghua, stating that to support the Group's steady operation and development, Jushenghua, as the shareholder of the Company, would like to offer interest-free borrowings with the total amount of RMB2,000,000,000 to the Company or through related parties designated by it. For any borrowing drawn, its repayment date is negotiated by the Company and Jushenghua upon withdrawal. When a borrowing is due, if an extension is needed, the Company can apply to the actual lender based on the Company's operation; where the actual lender agrees with the extension application, the term of the borrowing is extended accordingly.

**9 Contingencies**

Nil.

**10 Commitments****(1) Capital commitments**

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the balance sheet are as follows:

	31 December 2016	31 December 2015
Buildings, machinery and equipment	280,938,401	144,047,573

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**10 Commitments (Cont'd)****(2) Operating lease commitments**

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	31 December 2016	31 December 2015
Within 1 year	1,142,713	1,105,731
1 to 2 years	831,008	875,195
2 to 3 years	273,320	765,054
Over 3 years	282,534	259,866
	<u>2,529,575</u>	<u>3,005,846</u>

**11 Events after the balance sheet date****(a) Dividends distribution after the balance sheet date**

Amount

Dividend authorised to declare	<u>207,533,556</u>
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In accordance with the resolution at the Board of Directors' meeting dated on 27 April 2017, the Board of Directors proposed a dividend in the amount of RMB207,533,556 to the shareholders, which was not recorded as a liability in the financial statements for the current year. In addition, the Board of Directors proposed to offer all shareholder 1.5 share for every ten share, in total 311,300,334 share, from capital reserve based on total capital of RMB2,075,335,560, which was not reclassified from capital reserve to share capital.

**12 Financial instrument and risk**

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**(1) Market risk****(a) Foreign exchange risk**

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Some export business, however, is denominated in foreign currencies. In addition, the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Euros. The Group monitors the scale of foreign currency transactions, foreign currency assets and liabilities, and adjust settlement currency of export business, to furthest reduce the currency risk.

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**12 Financial instrument and risk (Cont'd)**

## (1) Market risk (Cont'd)

## (a) Foreign exchange risk (Cont'd)

As at 31 December 2016, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

31 December 2016				
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	24,360,614	5,551,402	840,393	30,752,409
Receivables	105,742,398	-	6,917,969	112,660,367
	<u>130,103,012</u>	<u>5,551,402</u>	<u>7,758,362</u>	<u>143,412,776</u>
Financial liabilities denominated in foreign currency -				
Short-term borrowings	-	67,087,500	-	67,087,500
Payables	74,140,797	275	24,217,998	98,359,070
	<u>74,140,797</u>	<u>67,087,775</u>	<u>24,217,998</u>	<u>165,446,570</u>
31 December 2015				
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	58,954,550	1,867,518	87,409	60,909,477
Receivables	75,590,699	-	8,639,719	84,230,418
	<u>134,545,249</u>	<u>1,867,518</u>	<u>8,727,128</u>	<u>145,139,895</u>
Financial liabilities denominated in foreign currency -				
Short-term borrowings	54,674,443	144,939,400	-	199,613,843
Payables	25,061,069	-	11,688,767	36,749,836
	<u>79,735,512</u>	<u>144,939,400</u>	<u>11,688,767</u>	<u>236,363,679</u>

As at 31 December 2016, if the currency had strengthened/weakened by 10% against the USD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB4,756,788 lower/higher (31 December 2015: approximately RMB4,659,000 higher/lower) for various financial assets and liabilities denominated in USD.

As at 31 December 2016, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB5,230,592 higher/lower (31 December 2015: approximately RMB10,730,000 lower/higher) for various financial assets and liabilities denominated in HKD.

Other changes in exchange rate had no significant influence on the Group's operating activities.

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**12 Financial instrument and risk (Cont'd)****(1) Market risk (Cont'd)****(b) Interest rate risk**

The Group's interest rate risk arises from long-term interest bearing debts including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2016, the Group's long-term interest-bearing debts at and fixed rates and floating rates are illustrated below:

	31 December 2016	31 December 2015
Debt at fixed rates	1,380,000,000	2,200,000,000
Debt at floating rates	58,660,000	-
	<u>1,438,660,000</u>	<u>2,200,000,000</u>

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions, which includes increasing/decreasing long-term fixed rate debts at the anticipation of increasing/decreasing interest rate.

**(2) Credit risk**

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivable, accounts receivable, other receivables.

The Group expects that there is no significant credit risk associated with cash at bank since they are mainly deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. Furthermore, as the Group's bank acceptance notes receivable are generally accepted by the state-owned banks and other large and medium listed banks, management believes the credit risk should be limited.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and trade acceptance notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

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**12 Financial instrument and risk (Cont'd)****(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 reserve, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions 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(1) above, as at 31 December 2016, the Group had net current liabilities of approximately RMB4.477 billion and committed capital expenditures of approximately RMB0.280 billion. Management will implement the following measures to ensure the liquidation risk limited to a controllable extent:

- (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; and
- (c) The Group will closely monitoring the payment of construction expenditure in terms of payment time and amount.

The financial liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

		31 December 2016				
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings		4,043,966,809	-	-	-	4,043,966,809
Notes payable		20,000,000	-	-	-	20,000,000
Accounts payable		1,169,869,370	-	-	-	1,169,869,370
Interest payable		78,225,904	-	-	-	78,225,904
Other payables		188,321,450	-	-	-	188,321,450
Other current liabilities		300,000	-	-	-	300,000
Current portion of non-current liabilities		1,068,336,787	-	-	-	1,068,336,787
Long-term borrowings		73,188,850	290,439,172	1,287,871,345	-	1,651,499,367
		<u>6,642,209,170</u>	<u>290,439,172</u>	<u>1,287,871,345</u>	<u>-</u>	<u>8,220,519,687</u>
		31 December 2015				
		Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities at fair value through profit or loss		228,500,000	-	-	-	228,500,000
Short-term borrowings		3,269,572,568	-	-	-	3,269,572,568
Notes payable		8,000,000	-	-	-	8,000,000
Accounts payable		915,266,051	-	-	-	915,266,051
Interest payable		89,363,806	-	-	-	89,363,806
Other payables		143,021,055	-	-	-	143,021,055
Other current liabilities		300,000	-	-	-	300,000

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Current portion of non-current liabilities	244,191,152	-	-	-	244,191,152
Long-term borrowings	59,280,000	59,280,000	1,350,217,700	-	1,468,777,700
Bonds payable	53,300,000	1,042,640,000	-	-	1,095,940,000
	<u>5,010,794,632</u>	<u>1,101,920,000</u>	<u>1,350,217,700</u>	<u>-</u>	<u>7,462,932,332</u>

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13

**Fair value estimates**

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has 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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- (a) Financial instruments measured at fair value

As of 31 December 2016, the group has no assets measured at fair value.

- (b) Financial instruments not measured but disclosed at fair value

The group's financial assets and financial liabilities measured at amortized cost mainly include: accounts receivable, short-term borrowings, accounts payable, long term borrowings, bonds payable, long-term payables, etc.

Except for financial liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Corporate bonds payable	1,000,000,000	1,009,177,000	1,000,000,000	1,010,820,000
Medium term notes	1,200,000,000	1,175,308,800	1,200,000,000	1,209,940,000
	<u>2,200,000,000</u>	<u>2,184,485,800</u>	<u>2,200,000,000</u>	<u>2,220,760,000</u>

The fair values of payables and medium-term notes are the present value of the contractually determined stream of future cash flows at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, thereinto bonds payable belongs to Level 1 and medium term notes belong to Level 2.

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**Capital management**

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2016 and 31 December 2015, the Group's gearing ratio is as follows:

31 December 2016

31 December 2015



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Total liabilities	8,846,624,611	7,840,708,683
Total assets	16,979,235,630	15,489,600,160
Gearing ratio	52%	51%

**15 Notes to the Company's financial statements****(1) Other receivables**

	31 December 2016	31 December 2015
Receivables from related parties	3,862,706,419	4,285,231,188
Others	423,416	260,407
	<u>3,863,129,835</u>	<u>4,285,491,595</u>
Less: Provision for bad debts	(8,806)	(1,776,559)
	<u>3,863,121,029</u>	<u>4,283,715,036</u>

**(a) The ageing of other receivables is analysed as follows:**

	31 December 2016	31 December 2015
Within 1 year	<u>3,863,129,835</u>	<u>4,285,491,595</u>

As at 31 December 2016, the Company had no overdue but not impaired other receivables (31 December 2015: Nil).

**(b) Other receivables are analysed by categories as follows:**

	31 December 2016				31 December 2015			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	% of total balance	Provision for bad debts	%	Amount	% of total balance	Provision for bad debts	%
Provision for bad debts by groupings								
- Group 1	423,416	0%	(8,806)	2%	260,407	0%	(5,208)	2%
- Group 2	3,862,706,419	100%	-	-	4,285,231,188	100%	(1,771,351)	0%
	<u>3,863,129,835</u>	<u>100%</u>	<u>(8,806)</u>	<u>0%</u>	<u>4,285,491,595</u>	<u>100%</u>	<u>(1,776,559)</u>	<u>0%</u>

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**15 Notes to the Company's financial statements(Cont'd)**

## (1) Other receivables (Cont'd)

- (c) For other receivables provided for bad debts by portfolio, the percentage of provision for the portfolio is as follows:

	31 December 2016			31 December 2015		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount		Amount	Amount	
Portfolio 1	423,416	(8,806)	2%	260,407	(5,208)	2%
Portfolio 2	3,862,706,419	-	-	4,285,231,188	(1,771,351)	0%
	<u>3,863,129,835</u>	<u>(8,806)</u>	0%	<u>4,285,491,595</u>	<u>(1,776,559)</u>	0%

- (d) As at 31 December 2016, the Group's top five entities with the largest other receivables balances are summarised as below:

	Relationship with the Group	Amount	Ageing	% of total balance
Yichang CSG Silicon	Subsidiary	1,536,844,129	Within 1 year	40%
Wujiang CSG	Subsidiary	320,760,155	Within 1 year	8%
Qingyuan CSG Energy-Saving	Subsidiary	305,831,431	Within 1 year	8%
Hebei CSG	Subsidiary	282,392,514	Within 1 year	7%
Dongguan CSG Solar	Subsidiary	250,539,624	Within 1 year	6%
		<u>2,696,367,853</u>		<u>69%</u>

## (2) Long-term equity investments

	31 December 2016	31 December 2015
Subsidiaries (a)	4,805,440,632	4,066,657,802
Associates - without quoted price (b)	-	286,119,936
Less: Impairment provision for investments in subsidiaries (a)	(15,000,000)	(15,000,000)
	<u>4,790,440,632</u>	<u>4,337,777,738</u>

**15 Notes to the Company's financial statements(Cont'd)**

(2) Long-term equity investments (Cont'd)

(a) Subsidiaries

	31 December 2015 (i)	Movements in current year				31 December 2016 (i)	Provision for impairment loss	Cash dividends declared in current year
		Additional investment	Decrease in investment	Provision for impairment loss	Others			
Chengdu CSG	76,674,073	70,005,000	-	-	-	146,679,073	-	-
Sichuan CSG Energy Conservation	115,290,583	-	-	-	-	115,290,583	-	36,000,000
Tianjin Energy Conservation	242,902,974	-	-	-	-	242,902,974	-	33,000,000
Dongguan CSG	193,618,971	-	-	-	-	193,618,971	-	69,000,000
Dongguan CSG Solar	349,446,826	-	-	-	-	349,446,826	-	24,000,000
Yichang CSG Silicon	632,958,044	-	-	-	-	632,958,044	-	-
Wujiang CSG	251,313,658	-	-	-	-	251,313,658	-	59,806,370
Hebei CSG	261,998,368	-	-	-	-	261,998,368	-	-
China Southern Glass (Hong Kong) Limited	85,742,211	-	-	-	-	85,742,211	-	-
Wujiang CSG	562,179,564	-	-	-	-	562,179,564	-	83,104,124
Hebei Shichuang	243,062,801	-	-	-	-	243,062,801	-	27,116,025
Jiangyou CSG Mining Development Co. Ltd.	100,725,041	-	-	-	-	100,725,041	-	-
Xianning CSG	177,041,818	-	-	-	-	177,041,818	-	19,440,606
Xianning CSG Energy-Saving	161,281,576	-	-	-	-	161,281,576	-	43,769,807
Qingyuan CSG Energy-Saving	300,185,609	-	-	-	-	300,185,609	-	-
Shenzhen CSG Financial Leasing Co., Ltd.	45,000,000	88,500,000	-	-	-	133,500,000	-	-
Shenzhen CSG PV Energy Co., Ltd.	100,000,000	-	-	-	-	100,000,000	-	-
Shenzhen CSG Display	-	225,995,700	-	-	316,032,130	542,027,830	-	-
Xianning CSG Photoelectric	-	38,250,000	-	-	-	38,250,000	-	-

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Others (ii)	167,235,685	-	-	-	-	167,235,685	(15,000,000)	-
	<u>4,066,657,802</u>	<u>422,750,700</u>	<u>-</u>	<u>-</u>	<u>316,032,130</u>	<u>4,805,440,632</u>	<u>(15,000,000)</u>	<u>395,236,932</u>

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**15 Notes to the Company's financial statements(Cont'd)****(2) Long-term equity investments (Cont'd)****(a) Subsidiaries (Cont'd)**

(i) As at 31 December 2016, included in the investments in subsidiaries were deemed investment costs of RMB109,035,321 (31 December 2015: RMB96,884,696), 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.

(ii) The operations of the subsidiaries against which provision was made were basically ceased. The Company made provision against the long-term investment in these subsidiaries based on their recoverable amounts in previous years.

**(b) Associates**

	Movements in current year							31 December 2016
	31 December 2015	Additional investment	Decrease in investment	Share of net profit/(loss) under equity method	Other changes in equity	Cash dividends declared	Provision for impairment loss	
Shenzhen CSG Display	286,119,936	-	-	29,186,090	726,104	-	-	(316,032,130)

**(3) Long-term receivables**

	31 December 2016	31 December 2015
Bonds payable and long-term borrowings allocated to subsidiaries	1,905,645,000	1,905,645,000
Substantive long-term investments in subsidiaries	-	136,228,923
Entrusted loans allocated to subsidiaries	98,000,000	98,000,000
	<u>2,003,645,000</u>	<u>2,139,873,923</u>
Less: Provisions for impairment	-	-
	<u>2,003,645,000</u>	<u>2,139,873,923</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

**15 Notes to the Company's financial statements(Cont'd)****(3) Long-term receivables (Cont'd)**

	31 December 2015	Movements in current year	31 December 2016	Provision for impairment loss	Reversals of provision for impairment loss in current year
Chengdu CSG	190,000,000	-	190,000,000	-	-
Sichuan CSG Energy Conservation	114,665,000	-	114,665,000	-	-
Dongguan CSG PV-tech	160,105,000	-	160,105,000	-	-
Yichang CSG Silicon	472,480,000	-	472,480,000	-	-
Dongguan CSG	236,063,923	(136,228,923)	99,835,000	-	-
Wujiang CSG	310,000,000	-	310,000,000	-	-
Dongguan CSG Solar	193,780,000	-	193,780,000	-	-
Wujiang CSG	69,890,000	-	69,890,000	-	-
Qingyuan CSG Energy-Saving	148,000,000	-	148,000,000	-	-
Xianning CSG Energy-Saving	80,000,000	-	80,000,000	-	-
Xianning CSG	75,000,000	-	75,000,000	-	-
Others	89,890,000	-	89,890,000	-	-
	<u>2,139,873,923</u>	<u>(136,228,923)</u>	<u>2,003,645,000</u>	<u>-</u>	<u>-</u>

**(4) Other payables**

	31 December 2016	31 December 2015
Subsidiaries	233,414,167	288,115,879
Others	<u>7,179,727</u>	<u>7,305,286</u>
	<u>240,593,894</u>	<u>295,421,165</u>

**(5) Investment income**

	2016	2015
Investment income from long-term equity investment under cost method	395,236,932	495,382,767
Investment income from long-term equity investment under equity method	29,186,090	960,738
Gains on equity transfer	-	61,682,478
Investment income from disposal of available-for-sale financial assets	-	194,276,696
Income earned during the holding period of available-for-sale financial assets	-	60,372
Losses from disposal of financial liabilities at fair value through profit or loss	<u>(238,350,256)</u>	<u>-</u>
	<u>186,072,766</u>	<u>752,363,051</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(All amounts in RMB Yuan unless otherwise stated)

(English translation for reference only)

**I Statement of non-recurring gains and losses**

	2016	2015
Gains or losses on disposal of non-current assets	1,759,358	(2,441,151)
Government grants recognised in profit or loss for current period	(91,627,439)	(81,013,548)
Gain or loss from change in fair value	(228,500,000)	92,100,000
Investment losses from disposal of financial liabilities at fair value through profit or loss	238,350,256	-
Losses from revaluation of stock rights under business combinations involving enterprises not under common control	45,909,181	-
Income earned during the holding period of available-for-sale financial assets	-	(60,372)
Gains on disposal of available-for-sale financial assets	-	(195,799,023)
Investment income from disposal of long-term equity investment	-	(100,146,152)
Non-operating income and expenses other than aforesaid items	(1,306,284)	(33,268,175)
	(35,414,928)	(320,628,421)
Effect of income tax	14,327,585	86,288,731
Effect of minority interests (after tax)	316,740	1,370,526
Total non-recurring gains and losses	(20,770,603)	(232,969,164)

**(1) Basis for preparation of statement of non-recurring gains and losses**

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

**II Return on net assets and earnings per share**

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2016	2015	2016	2015	2016	2015
Net profit attributable to ordinary shareholders of the Company	10.32%	6.72%	0.38	0.26	0.38	0.26
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	10.05%	3.78%	0.37	0.14	0.37	0.14

## **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, responsible person in charge of accounting and person in charge of financial institution;
- 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.  
28 April 2017**