CSG HOLDING CO., LTD.

ANNUAL REPORT 2017

Chairman of the Board:

CHEN LIN

April 2018

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 2017 Annual Report is true, accurate and complete.

Except for the following director, other directors personally attended the meeting of the Board of Directors deliberating this Annual Report.

Director' Name who did not attend in person	Director' Title who did not attend in person	Failure to attend the meeting in person	The name of the trustee
Zhang Jinshun	Director	Due to business trip	Chen Lin

This report involves future 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.

Details of the risk factors and countermeasures of future development have been well-described in this report, please find in Section IV Business Discussion and Analysis.

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 0.5 (tax included) for every 10 shares to all shareholders based on 2,484,147,547 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 2,484,147,547 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.

Content

Paraphrase

Items	Refers to	Contents
Company, the Company, CSG or the Group	Refers to	CSG Holding Co., Ltd.
Foresea Life	Refers to	Foresea Life Insurance 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 6th Industrial Road, Shekou, Shenzhen, P. R.C.		
Post Code	518067		
Office Add.	CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, P. R.C.		
Post Code	518067		
Internet website	www.csgholding.com		
E-mail	securities@csgholding.com		

II. Person/Way to contact

	Secretary of the Board	Representative of security affairs
Name	Yang Xinyu	
Contacts add.	CSG Building, No.1 of the 6th Industrial Road, Shekou, Shenzhen, P. R.C.	
Tel.	(86)755-26860666	
Fax.	(86)755-26860685	
E-mail	securities@csgholding.com	

III. Information disclosure and preparation place

Newspapers for information disclosure	Securities Times, China Securities Journal, ShangHai Securities News, Securities Daily and Hong Kong Comercial Daily
Website assigned by CSRC to release the annual report	www.cninfo.com.cn
The place for preparation of the annual report	Office of the Board of Directors

IV. Registration changes of the Company

Organization code	Unified social credit code: 914403006188385775

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	Asia Pacific (Group) CPAs (special general partnership)
Offices add. for CPA firm	Room 301, building 1, No. 9, Che Gong Zhuang Street, Xicheng District, Beijing, China
Signing Accountants	Pan Qian, Zhang Yan

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

Retrospective adjustment or restatement reason: correction of accounting errors

	2017	2016		Changes over last year (%)	2015	
		Before adjusted	After adjusted	After adjusted	Before adjusted	After adjusted
Operating income (RMB)	10,879,400,746	8,974,083,407	8,974,083,407	21.23%	7,430,889,111	7,430,889,111
Net profit attributable to shareholders of the listed company (RMB)	825,388,312	797,721,576	797,721,576	3.47%	532,653,110	532,653,110
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	745,373,108	776,950,973	776,950,973	-4.06%	299,683,946	299,683,946
Net cash flow arising from operating activities (RMB)	2,463,446,156	2,240,852,120	2,240,852,120	9.93%	1,092,832,497	1,092,832,497
Basic earnings per share (RMB/Share)	0.35	0.38	0.33	6.06%	0.26	0.26
Diluted earnings per share (RMB/Share)	0.35	0.38	0.33	6.06%	0.26	0.26
Weighted average ROE (%)	10.15%	10.32%	10.33%	-0.18%	6.72%	6.72%

	As at 31 Dec. 2017	As at 31 Dec. 2016		Changes over the end of last year	As at 31 Dec. 2015	
		Before adjusted	After adjusted	After adjusted	Before adjusted	After adjusted
Total assets (RMB)	19,535,002,368	16,979,235,630	17,146,815,630	13.93%	15,489,600,160	15,657,180,160
Net assets attributable to shareholders of the listed company (RMB)	8,458,587,873	7,812,335,004	7,808,915,004	8.32%	7,645,810,997	7,642,390,997
The total share capital of the company as of the previous trading day of disclosure (share)				2,484,147,547		
Fully diluted earnings per share calculated with latest equity (RMB/share)				0.33		

Reasons for Changes in Accounting Policies and Correction of Accounting Errors:

For details, please refer to "Section V. Important Events: VI. Comparing Accounting Statements, Accounting Estimates and Accounting Methods with the Financial Statements of the Previous Year" and "Section X. Financial Statements: the 31st item of the correction of accounting errors of previous report periods in V. Significant Accounting Policies and Accounting Error."

VII. Accounting Data Differences under Chinese Accounting Standards (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Income and Equity Differences under CAS and IFRS

□ Applicable √ Not applicable

No such differences for the Report Period.

2. Net Income and Equity Differences under CAS and Foreign Accounting Standards

□ Applicable √ Not applicable

No such differences for the Report Period.

VIII. Main financial indexes by quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	2,284,820,940	2,659,516,921	2,846,570,536	3,088,492,349
Net profit attributable to shareholders of the listed company	170,130,942	222,861,221	318,019,208	114,376,941
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	149,271,133	211,674,111	278,181,102	106,246,762
Net cash flow arising from operating activities	435,937,189	583,952,265	768,209,238	675,347,464

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	2017	2016	2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-1,768,993	-1,759,358	2,441,151	--
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)	87,875,417	91,627,439	81,013,548	--
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	427,636	-9,850,256	103,759,395	--
Other non-operating income and expenditure except for the aforementioned items	12,076,848	1,306,284	33,268,175	--
Other gains/losses satisfied definition of extraordinary profit (gains)/loss		-45,909,181	100,146,152	--
Less: Impact on income tax	16,209,135	14,327,585	86,288,731	--
Impact on minority shareholders' equity (post-tax)	2,386,569	316,740	1,370,526	--
Total	80,015,204	20,770,603	232,969,164	--

During the reporting period, the Company did not exist in the case of a non recurrent profit and loss item defined as a regular profit and loss project, which was defined and enumerated 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*.

Section III Overview of the Company's Business

I. Main business of the Company in the report period

CSG is a leading domestic brand of energy-saving glass 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 glass production lines. The annual capacity of various high-grade float glass has reached more than 2.32 million tons and the annual capacity of solar rolled glass has reached over 0.43 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 of the Company located in Dongguan, Chengdu, Langfang, Wujiang, and Xianning, which can produce various colors of high-grade float glass and ultra-clear float glass with thickness from 1.3mm to 25mm. 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 2017, the second-line technological transformation project of the subsidiary Hebei CSG was successfully completed and entered commercial operations. 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 project of its subsidiary Chengdu CSG has succeeded which is targeted to produce high quality auto glass. The technology transformation and operation of such two production lines of float gloss 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 50% 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 16.00 million square meters and 36.00 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 has an advantage 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, China Resources Headquarters Building, Shenzhen

KingKey100 Building, Shenzhen Bay Science and Technology Ecological Park, Ping An International Finance Centre, Anhui Radio-Television New Center, Hangzhou International Airport, Yaxia Headquarters Building, Chengdu International Finance Centre, Hangzhou Hampton and other more than ten Hilton Hotel, Hong Kong Four Seasons Hotel, Melbourne Airport, Midtown, International Centre of Abu Dhabi.

Solar Energy industry

CSG has entered solar photovoltaic industry since 2005 and is one of enterprises which first enter the field in China. After more than ten years of construction, operation and technological upgrading, CSG has built an industry chain in the world, 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 9,000 ton/year of polycrystalline silicon, 2.2 GW/year of silicon wafer, 0.85GW/year of solar cell, and 0.4GW/year of modules. The quality and performance indicators of the Company's polysilicon have reached the advanced level in the industry and it has reserved electronic-grade polysilicon production technology. Meanwhile, the Company is also promoting silicon wafer project of Yichang CSG and technological innovation and expansion and reconstruction projects of solar cell module in Dongguan in order to enhance the anti-risk capacity of its PV industry chain and drive the balanced, stable development of its PV industry chain. When the projects are completed, the quality and performance indicators of the Company's 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 industry

The Company has built two complete chains of full-set out-cell touch panel from raw material, processing to touch panel integration module, one of which is “glass coating → glass yellow light →FILM modules", and the other of which is "PET coating →FILM yellow light →FILM module”, and one AG glass production line of “glass AG surface physical treatment-chemical Processing” with its more than ten years of experience since 2000 when it established Shenzhen Nanbo Display Technology Co., Ltd. Its production capacity covers glass coating, glass pattern processing, glass touch panel module, flexible material filming, flexible material pattern processing, and full lamination of flexible touch panel display that holds a complete industry chain from ultra-thin sensor processing and ultra-thin touch panel module assembly to achieve high definition display and ultra-narrow edge touch panel solutions, the main products of which covers differential products of glass substrate composite coating like Anti-glare glass (AG), Anti-reflection glass (AR), Anti-fingerprint glass (AF), Semi-translucent glass, Reflective and Semi-transparent Optics Coating Glass (RT), Diamond-like carbon(DLC). CSG displays have become a supplier of high-quality electronic application materials for the touch industry, and touch sensor and TP suppliers to provide customers with one-stop TP solutions.

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 gradually completed the nationwide strategic layout. There are four production bases, namely Hebei Panel Glass, Yichang Nanbo Photoelectric Glass, Qingyuan CSG and Xianning CSG Photovoltaic Glass. The production capacity ranks first in China. The quality of CSG’s aluminum and high-aluminum electronic glass between 0.2mm to 1.1mm has reached the domestic leading level, the performance of which is comparable to that of imported products, breaking the monopoly of foreign technology. Currently, the products are widely used in mobile terminal cover glass, tempered glass protective film, ITO conductive Glass, extending to the fields of high-speed rail, military industry, smart home and others.

II. Major changes in main assets

1. Details of major changes in main assets

Main assets	Note of major changes
Equity assets	There was no significant change in equity assets in the report period.
Fixed assets	There was no significant change in fixed assets in the report period.
Intangible assets	There was no significant change in intangible assets in the report period.
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

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.

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

③The 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.

④The Company possesses high anti-risk capability. It has established a perfect internal control system. Meanwhile, the management and control ability of account receivable and inventory stand in a high level within the industry. CSG's new management team has an international perspective and a more open management philosophy. It aims to achieve the transfer of capacity and continues to expand new business fields along with the national policies of the Belt and Road 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. Business Discussion and Analysis

Since 2017, the global economic recovery has been gathered momentum by main economies. China's economy has continued the development tendency of seeking advancement in stability, constantly deepened the supply-side structural reform, steadily propelled the tasks of de-capacity, de-leveraging, de-stocking, de-cost and addressing weakness, further promoted replacing old growth drivers with new ones, and continuously improved the structure of economic development.

For CSG, the Year 2017 was not only a year serving as a connecting link between the preceding and the following, but also an important year for effectuating its future development. Oriented by market demand, the Company carefully analyzed its competitive advantages, took the initiative to transform business mode and update technologies, and improved operating quality by fine management to realize the advancement in stability. In 2017, the operation revenue of the Company was RMB 10,879 million with year-on-year increase of RMB 1,905 million and growth rate of 21.23%, the net profit was RMB 829 million, with year-on-year increase of 24 million and growth rate of 3.04%, and the net profit attributable to the parent company was 825 million, with year-on-year increase of 28 million and growth rate of 3.47%.

(I) Glass industry

Affected by the national environmental protection policies and supply-side reforms, each business segment of the Company faced various opportunities and challenges. Therefore, the Company tried to exploit the development opportunities for each product in the process of supply-side structural reform, the details of which were as follows.

Float glass: The overall growth rate of domestic housing starts in 2017 slightly slowed down. However, the total amount of construction area still increased, as well as the booming production and sales in the auto market, export growth, and the favorable demand for electrical glass and other industrial glass, float glass products got a rising market. The Company took this opportunity to further strengthen overall management and control of sales, accurately grasp market conditions, strengthen industry synergy, promote the differentiation of glass products, and further increase the market share of industrial glass. At the same time, it strengthened the internal management, refined farming, continuous improvement of process technology, promoted energy conservation and consumption reduction, tapping potential and increasing efficiency in an orderly manner. The key indicators such as the daily output of glass and the yield rate of float glass were further improved. The growth of production and sales volume was stable. The revenue increased by 32% and the profit increased by 99%.

Architectural glass: In 2017, architectural glass was affected by the sharp increase in the prices of bulk raw materials, especially glass originals, and the growth of downstream fixed asset investment slowed down, its profitability was squeezed. Under this pressure, the Company responded positively, adjusted its market strategy, strengthened industry synergy, strengthened communication with customers, launched functional glass such as glass with the function of antireflection, electric heating and heat preservation, and opened up new product application markets to achieve revenue growth by 5 %, but subject to the skyrocketing prices of bulk materials, overall profitability of its architectural glass fell by 51%.

(II) Solar Energy industry

In 2017, the price of all types of photovoltaic products had a year-on-year decrease compared with the 2016 average price. In 2017, the Company made an overall arrangement in advance and responded positively. Through the simultaneous production and project construction model, the Company completed the technological transformation of polysilicon, silicon wafer, solar cell, and module, as well as the expansion of production capacity, which enabled the Company's product quality continuously to improve and enter the industry's advanced level. At the same time, by continuously exploiting internal capacity, the unit consumption of various materials has decreased significantly, and the total non-silicon cost of each product has dropped significantly year-on-year. The construction of solar power plants was also progressing as scheduled. The Company's installed capacity of the power plants has reached 128MW as of the end of December 2017. The Company has actively explored the application fields such as photovoltaic power generation and

BIPV (Building Integrated Photovoltaic), and further strengthened the industrial development. It realized annual revenue growth of 35% while net profit decrease of 12%.

(III) Electronic glass and display industry

In 2017, the Company attached great importance to improve the quality of electronic glass so as to keep playing its leading role in the industry and get closer to international advanced level. At the same time, it strengthened the promotion of high-alumina glass market, especially the promotion of the terminal market, and gradually tapped into the main mobile terminal manufacturers in China. With the stability of the process, the entire production chain of the display business was opened up, and the production and sales volume of each product increased substantially. The annual revenue of the electronic glass and display industry increased by 102%, achieving a net profit of RMB 59 million, a substantial increase of 487%.

II. Main business analysis

1. Overview

Unit: RMB

Items	2017	2016	Range of Change	Analysis of reasons
Operating income	10,879,400,746	8,974,083,407	21.23%	Mainly due to the increase of sales
Operating costs	8,216,358,372	6,562,214,373	25.21%	Mainly due to the increase of sales
Sales expenses	336,131,723	301,815,090	11.37%	Mainly due to the increase in transportation costs and employee compensation
Administration expenses	919,329,772	766,589,059	19.92%	Mainly due to the increase in employee compensation and R&D expenses
Including:R&D expenses	330,677,375	285,129,442	15.97%	Mainly due to the increase of R&D investment
Financial expenses	315,961,080	265,820,569	18.86%	Mainly due to the increase in interest expenses
Net cash flow arising from operating activities	2,463,446,156	2,240,852,120	9.93%	Mainly due to the increase in cash received from sales of goods and provision of labor services.
Net cash flow arising from investment activities	-1,220,130,334	-1,606,225,665	-24.04%	Mainly due to the reduction of cash received by subsidiaries
Net cash flow arising from financing activities	634,295,928	-626,361,427	--	Mainly due to the decrease in cash paid for repayment of borrowings this year and the implementation of equity incentives

2. Revenue and cost

(1) Constitution of operation revenue

Unit: RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
total of operating income	10,879,400,746	100%	8,974,083,407	100%	21.23%
According to industry					
Glass industry	7,051,910,295	64.82%	6,302,630,843	70.23%	11.89%
Solar energy industry	3,125,611,234	28.73%	2,320,237,216	25.85%	34.71%
Electronic glass & Display industry	873,868,480	8.03%	433,457,290	4.83%	101.60%
Others	58,687,566	0.54%	22,581,871	0.25%	159.89%
Amount of unutilized	-230,676,829	-2.12%	-104,823,813	-1.17%	120.06%
According to product					
Glass products	7,051,910,295	64.82%	6,302,630,843	70.23%	11.89%
Solar energy products	3,125,611,234	28.73%	2,320,237,216	25.85%	34.71%
Electronic glass & Display products	873,868,480	8.03%	433,457,290	4.83%	101.60%
Others	58,687,566	0.54%	22,581,871	0.25%	159.89%
Amount of unutilized	-230,676,829	-2.12%	-104,823,813	-1.17%	120.06%
According to region					
Mainland China	9,506,249,433	87.38%	7,971,929,246	88.83%	19.25%
H.K. China	434,551,436	3.99%	135,128,604	1.51%	221.58%
Europe	26,534,686	0.24%	25,914,385	0.29%	2.39%
Asia (excluding Mainland China and H.K.)	848,958,711	7.80%	614,806,258	6.85%	38.09%
Australia	37,937,222	0.35%	37,437,349	0.42%	1.34%
North America	6,030,936	0.06%	134,941,952	1.50%	-95.53%
Other regions	19,138,322	0.18%	53,925,613	0.60%	-64.51%

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

√Applicable □ Not applicable

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						
Glass products	7,051,910,295	5,218,006,026	26.01%	11.89%	13.78%	-1.22%
Solar energy products	3,125,611,234	2,513,477,557	19.58%	34.71%	43.70%	-5.03%
According to product						
Glass products	7,051,910,295	5,218,006,026	26.01%	11.89%	13.78%	-1.22%
Solar energy products	3,125,611,234	2,513,477,557	19.58%	34.71%	43.70%	-5.03%
According to region						
Mainland China	9,506,249,433	7,145,720,399	24.83%	19.25%	22.05%	-1.73%

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

(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

Industry	Item	Unit	2017	2016	Increase/decrease y-o-y (%)
Flat glass	Sales volume	10,000-ton	264	236	11.86%
	Output	10,000-ton	270	234	15.38%
	Inventory	10,000-ton	9	3	200%
Architectural glass	Sales volume	10,000-M^2	3,027	2,976	1.71%
	Output	10,000-M^2	3,045	2,999	1.53%
	Inventory	10,000-M^2	49	58	-15.52%
Electronic glass	Sales volume	ton	34,315	29,495	16.34%
	Output	ton	32,073	30,532	5.05%
	Inventory	ton	2,212	4,614	-52.06%
Polysilicon	Sales volume	ton	2,434	2,510	-3.03%

	Output	ton	8,101	7,074	14.52%
	Inventory	ton	122	280	-56.43%
Silicon wafer	Sales volume	10,000-piece	34,779	24,916	39.59%
	Output	10,000-piece	34,840	25,403	37.15%
	Inventory	10,000-piece	156	283	-44.88%
Solar cell	Sales volume	MW	540	320	68.75%
	Output	MW	733	394	86.04%
	Inventory	MW	15	13	15.38%

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

√Applicable □ Not applicable

1. The increase in flat glass inventory was mainly due to the increase of output.

2. The decrease in the inventory of electronic glass was mainly due to the increase in sales.

3. The decrease in polysilicon inventory is mainly because the internal use of polysilicon increased, the stock decreased.The production and sales of silicon wafers and solar cells was mainly due to the Company's internal technological transformation and expansion of production capacity which led to an increase in output.

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

□ Applicable √ Not applicable

(5) Constitution of operation cost

Constitution of operation cost of main business

Industry classification

Unit: RMB

Industry	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Glass industry	Raw material	3,950,753,501	76.28%	3,490,284,457	76.83%	13.19%
	Labor wages	483,035,118	9.33%	429,777,957	9.46%	12.39%
	Manufacturing costs	745,385,164	14.39%	622,885,161	13.71%	19.67%
Electronic glass & Display industry	Raw material	407,632,245	62.46%	164,264,376	54.19%	148.16%
	Labor wages	76,167,671	11.67%	41,457,372	13.68%	83.73%
	Manufacturing costs	168,846,577	25.87%	97,396,154	32.13%	73.36%
Solar energy industry	Raw material	2,045,079,539	82.00%	1,312,414,211	75.92%	55.83%
	Labor wages	193,384,939	7.75%	172,281,138	9.97%	12.25%

	Manufacturing costs	255,426,988	10.24%	243,978,054	14.11%	4.69%

Product classification

Unit: RMB

Product	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Glass products	Raw material	3,950,753,501	76.28%	3,490,284,457	76.83%	13.19%
	Labor wages	483,035,118	9.33%	429,777,957	9.46%	12.39%
	Manufacturing costs	745,385,164	14.39%	622,885,161	13.71%	19.67%
Electronic glass & Display products	Raw material	407,632,245	62.46%	164,264,376	54.19%	148.16%
	Labor wages	76,167,671	11.67%	41,457,372	13.68%	83.73%
	Manufacturing costs	168,846,577	25.87%	97,396,154	32.13%	73.36%
Solar energy products	Raw material	2,045,079,539	82.00%	1,312,414,211	75.92%	55.83%
	Labor wages	193,384,939	7.75%	172,281,138	9.97%	12.25%
	Manufacturing costs	255,426,988	10.24%	243,978,054	14.11%	4.69%

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

√ Yes □No

On October 11, 2017, the Group established a subsidiary company, CHINA CSG （AUSTRALIA）PTY LTD. As of December 31, 2017, the Group who holds 100% of its shares has not invested yet.

(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)	1,500,493,031
Proportion in total annual sales volume for top five customers	13.79%
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	494,783,375	4.55%
2	Customer B	377,115,114	3.47%
3	Customer C	288,125,076	2.65%
4	Customer D	182,974,269	1.68%
5	Customer E	157,495,197	1.45%
Total	--	1,500,493,031	13.79%

Other statement of main customers

□ Applicable √ Not applicable

Major suppliers of the Company

Total purchase amount from the top five suppliers (RMB)	1,239,729,973
Proportion in total annual purchase amount from the top five suppliers	14.75%
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	422,959,179	5.04%
2	Supplier B	332,874,011	3.96%
3	Supplier C	193,237,278	2.30%
4	Supplier D	157,616,197	1.87%
5	Supplier E	133,043,308	1.58%
Total	--	1,239,729,973	14.75%

Other statement of main suppliers

□ Applicable √ Not applicable

3. Expenses

Unit: RMB

	2017	2016	Increase/decrease y-o-y	Note of major changes
Sales expense	336,131,723	301,815,090	11.37%	--
Management expense	919,329,772	766,589,059	19.92%	--
Financial expense	315,961,080	265,820,569	18.86%	--

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

	2017	2016	Ratio of change
Number of R & D personnel (person)	134	134	--
Ratio of number of R&D personnel	1.11%	1.16%	-0.05%
Amount of R & D investment (RMB)	368,237,629	341,553,966	7.81%
Ratio of the R&D investment to the operating income	3.38%	3.81%	-0.43%
Amount of the capitalized R&D investment (RMB)	43,122,431	23,213,785	85.76%
Ratio of the capitalized R&D investment to the R&D investment	11.71%	6.80%	4.91%

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	2017	2016	Increase/decrease y-o-y
Subtotal of cash in-flow from operation activity	12,256,615,740	10,492,184,098	16.82%
Subtotal of cash out-flow from operation activity	9,793,169,584	8,251,331,978	18.69%
Net cash flow from operation activity	2,463,446,156	2,240,852,120	9.93%
Subtotal of cash in-flow from investment activity	192,127,040	372,941,656	-48.48%
Subtotal of cash out-flow from investment activity	1,412,257,374	1,979,167,321	-28.64%
Net cash flow from investment activity	-1,220,130,334	-1,606,225,665	-24.04%
Subtotal of cash in-flow from financing activity	8,129,917,929	9,762,174,851	-16.72%
Subtotal of cash out-flow from financing activity	7,495,622,001	10,388,536,278	-27.85%
Net cash flow from financing activity	634,295,928	-626,361,427	--
Net increased amount of cash and cash equivalent	1,875,186,175	9,822,113	18,991.47%

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 was mainly due to the decrease in cash paid for debt service this year and the implementation of equity incentives.

Net increased amount of cash and cash equivalent increased mainly because the Company increased its cash reserves and strategic capital reserves to reduce liquidity risk.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of the year during the report 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	828,636,035
Plus: impairment of assets	69,399,755
Depreciation of fixed assets	957,475,579
Amortization of intangible assets	43,884,166
Net change in safe production costs	-2,618,535
Amortization of long-term deferred expenses	1,072,529
Share-based pay for employees	8,194,695
Net loss/ (gains) on disposal of fixed assets and intangible assets	1,768,993
Financial expenses	314,603,596
Investment (loss) / income	-427,636
Deferred income tax assets decrease /(increase)	15,578,992
Decrease in deferred income tax liabilities	-8,833,183
Decrease /(increase) in inventories	-201,257,769
Increase in operating receivables	-206,859,922
Increase in operating payables	642,828,861
Net cash flow from operating activities	2,463,446,156

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	427,636	0.04%	Mainly investment income	No
Asset impairment	69,399,755	6.97%	Mainly generated by provision for impairment of long-term assets	No
Non-operating income	20,763,042	2.08%	Mainly government subsidy income	No
Non-operating expense	5,152,591	0.52%	Mainly due to the disposal of non-current assets	No
Other income	84,341,814	8.47%	mainly government subsidy income resulted by non-operating income reclassification	No

IV. Assets and liabilities

1. Major changes of assets and liabilities composition

Unit: RMB

	As at 31 Dec. 2017		As at 31 Dec. 2016		Change of proportion	Notes of major changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary fund	2,462,605,764	12.61%	586,803,505	3.42%	9.19%	Mainly because the Company increased its cash reserves and strategic capital reserves to reduce liquidity risk
Accounts receivable	638,238,290	3.27%	627,985,983	3.66%	-0.39%	
Inventory	685,895,317	3.51%	477,780,925	2.79%	0.72%	
Fix assets	11,540,769,697	59.08%	11,457,972,991	66.82%	-7.74%	
Construction in process	1,417,624,618	7.26%	1,362,096,377	7.94%	-0.68%	
Short-term loans	3,704,630,909	18.96%	4,017,869,662	23.43%	-4.47%	
Long-term loans	1,554,120,000	7.96%	1,438,660,000	8.39%	-0.43%	

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 funds	2,852,599	Margin deposit deposited when the Company applies for a letter of credit issued by the bank and applies for loans from the bank.
Fix assets	2,369,789,041	Limited financing lease
Total	2,372,641,640	

V. Investment

1. Overall situation

√Applicable □ Not applicable

Investment in the report period	Investment in the same period of last	Changes

(RMB)	year (RMB)	
1,412,257,374	1,979,167,321	-28.64%

2. The major equity investment obtained in the report period

□ Applicable √ Not applicable

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

√Applicable □ Not applicable

Unit: RMB 0,000

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	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Yichang CSG upgrading & expansion project of electronic grade polysilicon and cold-hydrogenation technical upgrading	Self-built	Yes	Manufacturing industry	3,445	20,566	Own funds and borrowings from financial institutions	To add a new cold-hydrogenation line in Yichang CSG, which can produce electronic grade polysilicon on basis of the solar grade polysilicon 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). At present, the cold-hydrogenation line has been constructed.	22,481	0	Revenue could not be calculated separately.	March 31, 2015	Notice number: 2015-009
Yichang CSG to add a 1GW silicon wafer	Self-built	Yes	Manufacturing industry	36,173	45,674	Own funds and borrowings from financial	CSG has added 1GW capacity of high-efficient polysilicon wafer to achieve 2.2GW capacity of	14,853	671	The rest 500MW has not started yet.	January 06, 2016, April 16,	Notice number: 2016-001、

project						institutions	polysilicon wafer. Construction of the first 500 MW capacity of polysilicon wafer was completed in September 2017.				2016	2016-018
PV power plant investment	Self-built	Yes	Manufacturing industry	9,529	24,908	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. During 2016 to 2017, Shenzhen CSG PV developed and built a total of 78MW of photovoltaic power stations, including 58MW of distributed photovoltaic power plants and 20MW of centralized photovoltaic power plants.	4,344	634	Part of the project has been completed.	January 22, 2016	Notice number: 2016-006
4 million square meters light guide plate and PV glass production line	Self-built	Yes	Manufacturing industry	37,131	51,458	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 income for the project is in the construction period.	May 21, 2016	Notice number: 2016-025

Cold repair upgrading of the first line of Chengdu CSG	Self-built	Yes	Manufacturing industry	5,784	9,498	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 was completed in April 2017.	2,228	2,461		--	--
Cold repair upgrading of the second line (900T) of Hebei CSG	Self-built	Yes	Manufacturing industry	381	17,721	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 was completed in February 2017.	1,510	3,425		--	--
Hebei Panel Glass project of medium-alumina ultra-thin electronic glass	Self-built	Yes	Manufacturing industry	319	1,266	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.	0	0	No gains as the project is in the construction period.	October 29, 2014	Notice number: 2014-030
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.	0	0	By now, part of the project has been completed and the revenue was not calculated individually.	December 25, 2010	Notice number: 2010-046

							The wide flat coated glass line of 3 million square meters has been completed, and the others will be invested according to market situations.					
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.	0	0	The project was suspended.	December 25, 2010	Notice number: 2010-046
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.	0	0	The project was suspended.	January 18, 2011	Notice number: 2011-003
Relocation and equipment upgrading of the solar module production line in Dongguan	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 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.	0	0	The project was suspended.	April 16, 2016	Notice number: 2016-018
Solar online self-cleaning	Self-built	Yes	Manufacturing	0	0	--	The Company plans to construct an online self-cleaning coated glass line	0	0	The project was suspended.	April 16, 2016	Notice number:

coated glass project of Dongguan CSG			industry				in Dongguan.					2016-018
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.	0	0	The project was suspended.	April 16, 2016	Notice number: 2016-018
Total	--	--	--	92,762	192,330	--	--	55,959	7,191	--	--	--

4. Financial assets investment

(1) Securities investment

□ Applicable √ Not applicable

There was no securities investment during the report period.

(2) Derivative investment

□ Applicable √ Not applicable

There was no derivative investmen during the report period.

5. Use of raised fund

□ Applicable √ Not applicable

There was no such case 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	Net Assets	Operating revenue	Operating profit	Net profit
Chengdu CSG Glass Co., Ltd.	Subsidiary	Development, manufacture and sales of various special glass	260 million	949,189,013	549,644,544	963,867,411	185,820,075	159,097,192
Xianning CSG Glass Co., Ltd.	Subsidiary	Development and manufacture and sales of various special glass	235 million	785,113,404	357,755,489	751,277,647	116,921,901	108,893,438

Hebei CSG Glass Co., Ltd.	Subsidiary	Manufacture and sales of various special glass	USD 48.06 million	851,819,366	403,636,180	514,294,709	45,984,764	39,667,572
Wujiang CSG Glass Co., Ltd.	Subsidiary	Manufacture and sales of various special glass	565.04 million	1,621,247,482	754,661,872	1,572,799,222	187,183,576	168,221,000
Dongguan CSG Architectural Glass Co., Ltd.	Subsidiary	Deep processing of glass	240 million	1,016,566,291	468,852,301	945,665,074	44,682,681	41,741,286
Wujiang CSG East China Architectural Glass Co., Ltd.	Subsidiary	Deep processing of glass	320 million	847,522,945	434,693,963	618,437,486	27,594,863	25,231,336
Tianjin CSG Energy Conservation Glass Co., Ltd	Subsidiary	Development, producing and sales of energy-saving special glass	336 million	716,090,383	508,894,065	691,154,038	13,881,247	16,299,105
Dongguan CSG Solar Glass Co., Ltd.	Subsidiary	Manufacture and sales of Solar-Energy Glass products	480 million	1,261,708,908	695,384,759	1,025,683,430	112,938,282	114,344,586
Yichang CSG Polysilicon Co., Ltd.	Subsidiary	Manufacture and sales of high purity silicon material products	1,467.98 million	3,957,515,821	1,419,974,626	1,800,167,542	216,991,855	220,704,106
Shenzhen Nanbo Display Technology Co., Ltd.	Joint-stock company	Manufacture and sales of display device products	143 million	1,614,937,532	788,622,997	563,191,871	23,175,445	14,127,081
CSG (Hongkong) Investment Co., Ltd.	Subsidiary	Investment and trading	HKD 1 million	84,410,779	48,099,751	350,102,367	16,970,070	14,186,621

Particular about subsidiaries obtained or disposed in report period

□ Applicable √ Not applicable

Notes of main subsidiaries and joint-stock companies

Affected by the Country's macroeconomic policies, the products of the flat glass industry rose in selling price this year, when the output increased, the profit increased. The price of raw materials for the architectural glass industry rose, so a certain level of profit was maintained by measures such as cost reduction and efficiency increase. Affected by price fluctuations in the industrial chain market, the profit of solar energy section were under pressure. The business and process technology of the subsidiary company of electronic glass Qingyuan Energy-saving, as well as display business were stable, and the entire production chain production line was opened up. The output and sales volume of each product increased significantly, so the profit increased.

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

In 2017, under the background of supply-side reform, the efforts to cut overcapacity of flat glass industry further intensified, especially more stringent environmental protection, energy consumption and other comprehensive standards were imposed in the second half of the year, which accelerated the elimination of backward production capacity. Downstream market, affected by real estate regulatory policy, had a slackening demand growth. Overall, the supply and demand in glass industry was basically balanced with a rise in profitability. In 2018, it is predicated that the real estate policy will not be eased, which means that the demand of glass will be mostly the same as 2017. As for the supply, production capacity will only fall down under the continuing policy of overcapacity cut. More stringent emission standards probably implementing and environmental taxes imposing will increase environmental protection costs of glass industry, resulting in a rise in market prices, which is beneficiary to CSG who always lays emphasis on environmental protection and possesses related equipment.

Architectural glass industry

As the national economy enters "New Normal", significant slowdown in fixed asset investment and skyrocket price in upstream float glass made overall profitability of architectural glass industry decline. The architectural glass industry is facing a more severe market situation in the short term.

But in the long run, energy-saving glass is the key of building energy conservation whose penetration has been over 80% in developed countries but less than 15% in China so far. In recent years, Chinese government has expanded more efforts to popularize green building. According to Action Plan of Promoting Production and Application of Green Building Material jointly issued by Ministry of Industry and Information Technology and Ministry of Housing and Urban-Rural Development, the ratio of green building material applied will be significantly increased and its quality will be improved dramatically. The proportion of green building material will take up 30% in new building, 50% in green building, 70% in pilot project, and 80% in renovating existing building. High-end energy saving glass as an important part in green building has a huge market demand and the prospects for its development are worth looking forward to.

Solar energy PV industry

A continuing rebound from 2012 has driven photovoltaic industry to a booming phrase. China's PV market has ranked NO.1 globally for five consecutive years while the production of PV components the global number one for eleven consecutive years, both of which made China worthy of the name "The Strongest Country in Producing and Applying PV Products". Up to the end of 2017, PV capacity in China reached 130GW, surpassing the basic objective in "13th Five-Year Plan" of Energy Development that realizing 110GW of solar power generation in 2020. Driven by the national green energy policy and skyrocket in PV market, China's PV industry will continue to expand.

According to "13th Five-Year Plan of Solar Energy Development", it is expected to achieve grid parity through PV by 2020. Thus the technical revolution will be the main theme and the driving force for the following development of PV industry, which means that the industry competition will be more intense and the industry shuffle will intensify. The industry resource and advantage will integrate into the enterprises with innovative technology and strong power, thus "the stronger are getting stronger".

Electronic glass and display device industry

In reference to the industry forecast presented by Touch Display Research, the operating revenue of displayer will continue to grow globally in the following ten years but the growth will slow down gradually. In this process, OLED whose display technology is the most competitive will gradually hold the dominant position in the whole industry. Looking at the analysis given by research institution HIS, we can find that the conventional IFT-LCD has been in an oversupply state and the manufacturers are carrying out the price war. Instead, the conventional and flexible OLED hasn't been popularized, so the enterprises who master its technology of mass production will take up the top of blue sea market. With the development and maturity of OLED technology, its market quota will expand between 2018 and 2020, especially the technology of flexible OLED who has a folding intelligent terminal form will be the revolutionary technology and give itself an advantage in the future.

Ultrathin electronic glass is one of the key materials of touch display industry, its core technology was mastered by few developed countries in the past and its high-end market has been monopolized by foreign enterprises such as Corning and Asahi Glass. As the expansion of capacity in domestic ultrathin electronic glass enterprises represented by CSG, the product's quality and performance have been improved and promoted constantly, thus domestic brands have gradually replaced foreign ones in medium and high market. At present, though display industry has pulled through the period of explosive growth and marched into market stability, the fast promotion of 5G communication network technique is expected to drive the increasing demands of double-sided glass for mobile phones in the next few years, which will be the new opportunity and chance for domestic ultrathin glass enterprises to develop.

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, it will greatly improve the industrial position of all sectors, and development into a respected international first-class enterprise.

3. Business Plan of 2018

①Improve 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 2018;

② Improve R&D capacity, build up R&D talent team, and maintain the technical innovation advantage of the Company in the industry;

③ Create open, equal, fair and initiative enterprise 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 2018, CSG capital expenditure budget is about RMB 2.5 billion, which was mainly used in the project construction of photovoltaic power plant investment project, increasing electronic glass and display device business capacity to achieve industry and product extension, flat glass technology transformation architectural glass process technological upgrading and informatization construction project. 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 2018, 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 2017, under the efforts of the Board of Directors and all employees, daily operation of the Company entered normal and stable operation. However, the Company still faces the risk of insufficient reserves of senior talents for the long-term development of the Company. To cope with aforesaid risks, the Company will take the following measures:

A. Construct new corporate culture of CSG as soon as possible, 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.

②The 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 increase technology and production capacity of silicon wafer, raise the productive and technological level of polysilicon, enhance the support for downstream construction of photovoltaic power plants, and reduce the risk of price fluctuations of upstream silicon materials and other products.

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 2017, the market price of glass and solar energy PV industrial has had great fluctuation. At the same time, the prices of upstream raw materials have fluctuated, and the current rising labor costs have brought risks to the Company's operations. 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 12.73% of the sales revenue of the Company is 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

2017-5-10	Field research	Institute	Details can be found in the Record Chart of the Investor Relation Activity disclosed on Juchao website (www.cninfo.com.cn) on 11 May 2017.

Reception times	1
Number of reception institutions	8
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 2016 was approved by Annual General Shareholders' Meeting of 2016 held on 22 May 2017 which distributed distributing cash dividend of RMB 1.00 (tax included) for every 10 shares to all shareholders and transferred capital reserve into capital with 1.5 shares for every 10 shares to all shareholders. Notice of the distribution was published on *China Securities Journal, Securities Times, ShangHai Securities News* and *Hong Kong Commercial Daily* on 11July 2017, 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 2017: based on 2,484,147,547 shares of the total share capital while dividends will be distributed, distributing cash dividend of RMB 0.5 (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 2,484,147,547 shares of the total share capital.

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.

Cash dividend in latest three years (including the report period)

Unit: RMB

Year for bonus shares	Amount for cash dividend (tax included)	Net profit attributable to shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to shareholders of listed company contained in consolidation statement (%)	cash dividend by other ways	Proportion for cash dividend by other ways
2017	124,207,377	825,388,312	15.05%	0	0%
2016	207,533,556	797,721,576	26.02%	0	0%
2015	622,600,668	532,653,110	116.89%	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)	0.5
Shares added for every 10-share base (Share)	1.5
Equity base for distribution preplan (share)	2,484,147,547
Total amount distribution in cash (RMB) (tax included)	124,207,377
Profit available for distribution (RMB)	529,327,954
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 stage is not easy to distinguish but there are major capital expenditure arrangements, when the profit is distributed, the proportion of cash dividends in this profit distribution should be at least 20%.	
Details of proposal of profit distribution preplan or share conversion from capital public reserve	
According to the financial report audited by Asia Pacific (Group) CPAs (special general partnership), the net profit attributable to equity holders of the Company in consolidated statement was RMB 825,388,312 and combined capital reserve was 1,306,381,765 in 2017. 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 32,084,102 based on the net profit RMB 320,841,025 of parent company statement 2017. Profit available for distribution in 2017 was RMB 529,327,954. The Board of Directors proposed to distribute every shareholder RMB 0.5 (including tax) for each 10 shares based on the amount 2,484,147,547 shares, and the total amount distribution is RMB 124,207,377 (including tax), and transfer capital reserve into capital with 1.5 shares for every 10 shares to all shareholders based on 2,484,147,547 shares of the total share capital. With total transferred amount of 372,622,132 shares, the total share capital of the Company will be changed from 2,484,147,547 shares to 2,856,769,679 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 2017Annual General Meeting of shareholders.

III. Implementation of commitment

1. Commitments completed by the actual controllers, the shareholders, the related parties, the purchasers, the Company 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-ment 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 reduction	The Company has implemented share merger reform in May 2006. Till June 2009, 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	2006-5-22	N/A	By the end of the report period, the above shareholders of the Company had strictly carried out their promises.

			of Original Shares Released from Trading Restrictions issued by CSRC during implementing share decreasingly-held plan and take information disclosure responsibility timely.			
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 as Foresea Life Insurance remained the largest shareholder of CSG. Meanwhile, they made commitment on regularizing related transaction and avoiding industry competition.	2015-6-29	During the period when Foresea Life remains the largest shareholder of the Company	By the end of the report period, the above shareholders of the Company had strictly carried out their promises.
Commitments in assets reorganization	Not applicable					
Commitments in initial public offering or re-financing	Not applicable					
Equity incentive commitment	The listed company		CSG has promised not to provide loans and other forms of financial assistance for restricted stocks for the incentive targets under this plan, including providing guarantees for their loans.	2017-10-10	During the implementation of the equity incentive plan	The commitment is in normal performance.
Other commitments for medium and small shareholders	Not applicable					

Completed on time(Yes/No)	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

On August 18, 2017, the 2nd Meeting of the 8th Session of the Board of Directors reviewed and approved *the Proposal for changing Accounting Policy*, which was based on the request of the notice issued by the Ministry of Finance on the issuance of the revised "*Enterprise Accounting Standards No. 16—Government Grants*" (Finance and Accounting [2017] No. 15), and revised financial statement presentation. "Other Income" item should be presented separately above "Operating Profit" item in the income statement. The "Other Income" items are separately presented on the "Operating Profit" item. Since January 1, 2017, government subsidies related to daily activities of enterprises have been reclassified from "Non-operating Income" item to "Other Income" item. The comparative financial statements of the year 2016 were not restated.

On April 20, 2018, the 5th Meeting of the 8th Session of the Board of Directors reviewed and approved the Proposal for changing Accounting Policy, which was based on the request of the *Notification of the issuance of No. 42 of Enterprise Accounting Standards: Non-current Assets Held for Sale, Disposal Group and Termination of Operation(Finance and Accounting [2017] No. 13)* and the *Notification on Reversing and Issuing the Formats of Common Enterprise Financial Statements (Finance and Accounting [2017] No. 30)*, issued by the Ministry of Finance, and revised financial statement presentation. The "Asset Disposal Income" was added to the profit statement, the "Gain/loss resulting from the disposal of non-current assets" which was originally booked in "Non-business income" and "Non-business Expenditure" was listed in "Asset disposal gain" and the comparable data during the comparable period would be adjusted. Two items, (I) Net profit from continuous operation" and "(II) Net profit from terminated operation", will respectively reflect the net profit involved with continuous operation and terminated operation.

The Company has conducted necessary communication with the accounting firm on this matter.

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

□ Applicable √ Not applicable

There were no major accounting errors within report period that need retrospective restatement.

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

√Applicable □ Not applicable

On October 11, 2017, the Group established a subsidiary company, CHINA CSG （AUSTRALIA）PTY LTD. As of December 31, 2017, the Group who holds 100% of its shares has not invested yet.

IX. Engaging and dismissing of CPA firm

CPA firm engaged

Name of domestic CPA firm	Asia Pacific (Group) CPAs (special general partnership)
Remuneration for domestic CPA firm (RMB 0,000)	300
Continuous life of auditing service for domestic CPA firm	0
Name of domestic CPA	Pan Qian, Zhang Yan
Continuous life of auditing service for domestic CPA	0

Whether changed accounting firms in this period or not

√ Yes □ No

Whether changed the accounting firm during the audit period or not

√ Yes □ No

Whether performed the approval process when changed the accounting firm or not

√ Yes □ No

Detailed explanation of changing accounting firm

The interim meeting of the eighth session of the Board of Directors and the first extraordinary general meeting of shareholders in 2018 reviewed and passed the "Proposal on Changing Accounting Firm." The Company plans to hire Asia Pacific (Group) CPAs (special general partnership) as the Company's 2017 annual financial audit agency and internal control audit agency. For details, please refer to the announcements (2018-004 , 2018-011) published in *China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily, Hong Kong Commercial Daily* and http://www.cninfo.com.cn on February 28, 2018 and March 15, 2018.

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

√Applicable □ Not applicable

Asia Pacific (Group) CPAs (special general partnership) was engaged as audit institute of internal control for the Company in the report period, and contracted charges was RMB 0.30 million (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

XII. Significant lawsuits and arbitrations

□ Applicable √ Not applicable

XIII. Penalty and rectification

□ Applicable √ Not applicable

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

On Oct. 10, 2017, the 3rd Meeting of the 8th Board of Directors of the Company deliberated and approved *2017 Restricted A- shares Incentive Plan of CSG Holding Co., Ltd (Draft)*and its summary, *the Management Method of the Implementation and Review* of *2017 Restricted A-shares Incentive Plan of CSG Holding Co., Ltd and the Resolution on Applying the General Meeting of Shareholders to Authorize the Board of Directors to Deal With the Related Matters on the Company's 2017 Restricted A-shares Incentive Plan*. The above contents are detailed in the *Announcement of the Resolution on the Third Meeting of the Eighth Session of the Board of Directors* published inwww.cninfo.com.cn (Announcement No.: 2017-063). The Company's independent directors issued independent opinions on the issues involved with restricted A- shares incentive plan.

On Oct. 26, 2017, the Company convened the 5th Extraordinary General Meeting in 2017, which deliberated and approved the above three proposals. The *Resolution on Adjusting the Object and Quantity Granted of 2017 Restricted A-share Incentive Plan and the Resolution on Firstly Granted Restricted Shares to the Object of 2017 Restricted A-share* were deliberated and approved on the 21stprovisional meeting of the eighth session board of directors convened on Dec. 11th, 2017. It determined to grant 97,511,654 restricted shares to 454 objects on Dec. 22, 2017, with price at RMB4.28/share. The reserved restricted shares was 17,046, 869 shares.

The granting of shares was completed on Dec. 25, 2017 and the specific content was detailed in the *Announcement on Completing the First Granting of 2017 Restricted Shares* disclosed in www.cninfo.com.cn on Dec. 22, 2017 (Announcement No.:2017-079). According to the relevant provisions of the "Accounting Standards for Business Enterprises", the implementation of the Company's restricted stock will have a certain impact on the Company's financial status and operating results in the next few years. The results are based on the annual audit report issued by the accounting firm.

XVI. Major related transaction

1. Related transaction with routine operation concerned

□ Applicable √ Not applicable

There was no related transaction with routine operation concerned in the report period.

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

□ Applicable √ Not applicable

There was no related transaction with acquisition of assets or equity, sales of assets or equity concerned in the report period.

3. Related transaction with jointly external investment concerned

□ Applicable √ Not applicable

There was no related transaction with jointly external investment concerned in the report period.

4. Credits and liabilities with related parties

□ Applicable √ Not applicable

There were no credits and liabilities with related parties in the report period.

5. Other major related transaction

□ Applicable √ Not applicable

There was no other major related transaction in the report period.

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)
Chengdu CSG Glass Co.,Ltd.	2017-07-31	5,000	2017-08-16	5,000	Joint liability guarantee	1 year	No	No
Dongguan CSG Architectural Glass Co., Ltd.	2017-07-31	11,200	2017-08-11	10,000	Joint liability guarantee	1 year	No	No
Dongguan CSG Architectural Glass Co., Ltd.	2017-01-13	18,000	2017-02-09	13,000	Joint liability guarantee	1 year	No	No
Xianning CSG Glass Co., Ltd.	2017-07-31	7,000	2017-08-11	2,000	Joint liability guarantee	1 year	No	No
Xianning CSG Glass Co., Ltd.	2017-07-31	10,000	2017-09-12	1,000	Joint liability guarantee	1 year	No	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2017-07-31	7,000	2017-08-11	2,000	Joint liability guarantee	1 year	No	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2017-01-23	5,000	2017-04-11	2,000	Joint liability guarantee	1 year	No	No
Wujiang CSG Glass Co., Ltd.	2016-08-12	10,000	2017-03-07	5,000	Joint liability guarantee	1 year	No	No
Wujiang CSG Glass Co., Ltd.	2017-11-27	10,000	2017-11-30	3,000	Joint liability guarantee	1 year	No	No

Wujiang CSG East China Architectural Glass Co., Ltd.	2016-08-12	10,000	2017-04-28	6,000	Joint liability guarantee	1 year	No	No
Wujiang CSG East China Architectural Glass Co., Ltd.	2017-11-27	10,000	2017-11-30	3,000	Joint liability guarantee	1 year	No	No
Wujiang CSG East China Architectural Glass Co., Ltd.	2017-07-31	10,000	2017-09-14	10,000	Joint liability guarantee	1 year	No	No
Dongguan CSG Solar Glass Co., Ltd.	2017-07-31	15,000	2017-12-14	3,300	Joint liability guarantee	1 year	No	No
Yichang Nanbo Display Co., Ltd.	2017-05-31	3,648	2017-06-02	3,600	Joint liability guarantee	1 year	No	No
Tianjin CSG Energy-Saving Glass Co., Ltd.	2016-08-12	10,000	2017-02-14	2,000	Joint liability guarantee	1 year	No	No
Dongguan CSG PV-tech Co., Ltd.	2017-05-22	10,000	2017-06-15	4,680	Joint liability guarantee	1 year	No	No
Yichang CSG Polysilicon Co., Ltd.	2017-08-07	6,600	2017-08-25	4,000	Joint liability guarantee	1 year	No	No
Yichang CSG Polysilicon Co., Ltd.	2017-06-23	30,000	2017-07-10	5,000	Joint liability guarantee	1 year	No	No
Qingyuan CSG New Energy-Saving Materials Co., Ltd.	2017-09-15	5,000	2017-09-22	3,410	Joint liability guarantee	1 year	No	No
Zhanjiang CSG New Energy Co., Ltd.	2017-07-31	9,000	2017-09-26	9,000	Joint liability guarantee	3 years	No	No
Xianning CSG Photovoltaic Glass Co., Ltd.	2016-08-12	30,000	2017-01-03	19,000	Joint liability guarantee	3 years	No	No
Xianning CSG Photovoltaic Glass Co., Ltd.	2017-07-31	20,000	2017-09-07	3,500	Joint liability guarantee	3 years	No	No
Yichang Nanbo Photoelectric Glass Co., Ltd.	2017-05-22	5,472	2017-05-26	5,400	Joint liability guarantee	3 years	No	No
Yichang Nanbo Photoelectric Glass Co., Ltd.	2016-12-14	2,432	2017-05-23	2,400	Joint liability guarantee	1 year	No	No
Yichang Nanbo	2017-05-22	10,032	2017-05-31	10,000	Joint liability	3 years	No	No

Photoelectric Glass Co., Ltd.					guarantee			
Yichang CSG Polysilicon Co., Ltd.	2017-05-22	20,000	2017-06-22	19,000	Joint liability guarantee	3 years	No	No
Dongguan CSG PV-tech Co., Ltd.	2017-11-27	20,000	2017-12-20	20,000	Joint liability guarantee	3 years	No	No
Wujiang CSG Glass Co., Ltd.	2017-08-28	30,000	2017-09-13	30,000	Joint liability guarantee	3 years	No	No
Xianning CSG Glass Co., Ltd.	2017-08-28	25,000	2017-09-18	25,000	Joint liability guarantee	3 years	No	No
Dongguan CSG Solar Glass Co., Ltd.	2017-08-07	20,000	2017-09-22	20,000	Joint liability guarantee	3 years	No	No
Yichang CSG Polysilicon Co., Ltd.	2017-06-23	20,000	2017-06-28	20,000	Joint liability guarantee	3 years	No	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2017-09-25	15,000	2017-09-30-	15,000	Joint liability guarantee	3 years	No	No
Hebei CSG Glass Co., Ltd.	2017-10-10	20,000	2017-10-30	20,000	Joint liability guarantee	3 years	No	No
Chengdu CSG Glass Co.,Ltd.	2017-09-25	20,000	2017-09-28	20,000	Joint liability guarantee	3 years	No	No
Qingyuan CSG New Energy-Saving Materials Co., Ltd.	2016-08-12	5,000	2016-12-14	735	Joint liability guarantee	1 year	Yes	No
Wujiang CSG Glass Co., Ltd.	2016-08-12	10,000	2017-04-01	2,000	Joint liability guarantee	1 year	Yes	No
Xianning CSG Energy-saving Glass Co., Ltd.	2016-01-05	10,000	2016-03-17	1,200	Joint liability guarantee	3 years	Yes	No
Wujiang CSG East China Architectural Glass Co., Ltd.	2016-12-14	10,000	2017-05-22	1,000	Joint liability guarantee	1 year	Yes	No
Wujiang CSG East China Architectural Glass Co., Ltd.	2015-06-15	15,000	2016-01-28	10,000	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Architectural Glass Co., Ltd.	2017-01-13	18,000	2017-02-09	7,000	Joint liability guarantee	1 year	Yes	No
Xianning CSG Glass	2016-08-12	10,000	2016-08-16	800	Joint liability	1 year	Yes	No

Co., Ltd.					guarantee			
Xianning CSG Energy-saving Glass Co., Ltd.	2016-08-12	10,000	2016-08-16	2,600	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Architectural Glass Co., Ltd.	2016-08-12	11,200	2016-08-19	10,000	Joint liability guarantee	1 year	Yes	No
Sichuan CSG Energy Conservation Glass Co., Ltd.	2016-03-23	13,000	2016-04-16	2,000	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Solar Glass Co., Ltd.	2016-03-23	15,000	2016-08-19	1,400	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Solar Glass Co., Ltd.	2016-03-23	15,000	2016-08-19	417	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Solar Glass Co., Ltd.	2016-03-23	15,000	2016-08-19	1,483	Joint liability guarantee	1 year	Yes	No
Dongguan CSG Architectural Glass Co., Ltd.	2016-08-12	11,200	2016-08-19	10,000	Joint liability guarantee	1 year	Yes	No
Total amount of approving guarantee for subsidiaries in report period (B1)		397,952		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		376,925		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		460,384		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		326,290		
Guarantee of subsidiaries 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)
Total amount of guarantee of the Company(total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		397,952		Total amount of actual occurred guarantee in report period (A2+B2+C2)		376,925		
Total amount of approved guarantee at the end of report period (A3+B3+C3)		460,384		Total balance of actual guarantee at the end of report period (A4+B4+C4)		326,290		
The proportion of the total amount of actual guarantee in the net assets of the Company(that is A4+ B4+C4)				38.57%				

Including:	
Amount of guarantee for shareholders, actual controller and its related parties(D)	0
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E)	0
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)	0
Total amount of the aforesaid three guarantees(D+E+F)	0
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if any)	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	Nil

(2) Illegal external guarantee

□ Applicable √ Not applicable

No Illegal external guarantee in the report period.

3. Entrust others to manage cash assets

(1) Entrusted Financing

√Applicable □ Not applicable

Overview of Entrusted Financing in the report period

Unit: RMB 0,000

Type	Sources of funds	Amount of occurrence	Unexpired balance	Overdue outstanding amount
Bank financial products	Own funds	49,600	0	0
Brokerage financial products	Own funds	5,000	5,000	0
Total		54,600	5,000	0

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

□ Applicable √ Not applicable

Entrusted financing appears to be unable to recover the principal or there may be other circumstances that may result in impairment

□ Applicable √ Not applicable

(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 responsibilities

2017Annual Social Responsibilities Report of CSG was the 10th year the Company consecutively released social responsibilities report. The report emphasized the year of 2017, 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.

2. Circumstances related to environmental protection

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

Name of Company ro 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 amount of emission	Approved total emission	Excessive emissions
Xianning CSG Glass Co., Ltd.	Dust＼soot＼SO2＼nitrogen oxide	Discharge after the treatment of denitrification and dust removal	16	Chimney	Dust≤30mg/m³；soot≤40 mg/m³；SO2≤200 mg/m³；NOx≤350 mg/m³；	《Emission standard of air pollutants for flat glass industry》(GB26453-2011)	Dust＜17t/a；Soot≤33.92/a；SO2≤144.64t/a；NOx≤251.85t/a。	Particulates(Dust, Soot):96.82t/a；SO2:636.5t/a Nitrogen oxides: 1113.89t/a	Reach the discharge standard.

Construction and operation of pollution prevention and control facilities

The Company has built flue gas dust removal and denitrification system on production lines. The system runs normally, and the emission of exhaust gas meets regulations.

The environmental impact assessment of construction projects and other environmental protection license

In 2017, the project for the construction of a photoconductive material production line for light guide plates of Xianning CSG Photovoltaic Glass Co., Ltd. was newly launched, and environmental impact assessments have been carried out and approved.The secondary companies have effectively carrying out the “Three Simultaneous” procedures for all other new and old projects, and have been rewarded with the pollutant discharge license within the validity period. They timely declared the pollutant discharge, carried out the monitoring and reporting of pollutant discharge and paid the pollutant discharge fee according to the relevant regulations of the state.

Emergency response plan system of environment incident

In accordance with the national requirements, all secondary companies prepared emergency environmental response plan for environment incident, organized and carried out expert evaluation and put on record in the local environmental protection department as required, conducted the emergency drill against environmental incidents. And there were no major environmental incidents occurred throughout the year.

Environmental self-monitoring scheme

In accordance with provisions of national laws and regulations and the requirements put forward in the assessment documents of the environment impact of construction project and reply, the secondary companies built on-line monitoring equipment for waste water and waste gas which are put into operation normally. They compared and reviewed the effectiveness of the on-line monitoring facilities on a regular basis. Besides, they also entrusted the third party units to carry out the manual monitoring of the environment and fully monitor the discharge of the pollutants.

Other environmental information to be disclosed

Those key monitored secondary companies above municipal level disclosed their environment protection status and made regular updating through websites, display cards, environmental information platform and other ways.

Other information related to environment protection

CSG always attaches great importance to environmental protection work, actively fulfills its social responsibility, adheres to the development road of energy saving, emission reduction, low carbon and environmental protection. It made remarkable achievements in daily environmental management and the reduction of pollutant discharge, and was praised by the government department. For example, Xianning CSG was awarded with the title of "2017 Environmental Protection Outstanding Unit in High-Tech Zone" by the Work Committee of Xianning New Technology Industry Development Zone and the Management Committee of Xianning High-tech Industrial Development Zone.

XIX. Statement on other important matters

√Applicable □ Not applicable

1. The Termination of 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* on July 4, 2016 (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 On Feb. 8, 2017* (Announcement No.:2017-009).

2. Short-term Financing Bills

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 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 has been redeemed on 13 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 has been 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 has been redeemed on 2 June 2017.

For details, please refer to www.chinabond.com.cn and 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 registeration 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 32nd 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.

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. On 2 March

2018, National Association of Financial Market Institutional Investors (NAFMII) held the 14th registration meeting of 2018, in which NAFMII decided to accept the registration of the Company's medium term notes, amounting to RMB 0.8 billion and valid for two years. Shanghai Pudong Development Bank Co., Ltd. and China CITIC Bank Corporation Limited were joint lead underwriters of these medium term notes which could be issued by stages within period of validity of the registration.

On May 22, 2017, the Shareholders' General Meeting of 2016 of CSG deliberated and approved the proposal of application for registration and issuance of medium term notes with total amount of RMB 1 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.

For details, please refer to www.chinabond.com.cn and www.chinamoney.com.cn.

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

1. 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	12,736,888	0.61%	97,511,654		0	-12,475,982	85,035,672	97,772,560	3.94%
1. State-owned shares									
2. State-owned legal person's shares									
3. Other domestic shares	12,736,888	0.61%	97,511,654		0	-12,475,982	85,035,672	97,772,560	3.94%
Including: Domestic legal person's shares									
Domestic natural person's shares	12,736,888	0.61%	97,511,654		0	-12,475,982	85,035,672	97,772,560	3.94%
4. Foreign shares									
Including: Foreign legal person's shares									
Foreign natural person's shares									
II. Unrestricted shares	2,062,598,672	99.39%	0		311,300,333	12,475,982	323,776,315	2,386,374,987	96.06%
1. RMB Ordinary shares	1,300,128,680	62.65%	0		196,912,735	12,475,982	209,388,717	1,509,517,397	60.77%
2. Domestically listed foreign shares	762,469,992	36.74%	0		114,387,598	0	114,387,598	876,857,590	35.30%
3. Overseas listed foreign shares									
4. Others									
III.Total shares	2,075,335,560	100%	97,511,654		311,300,333	0	408,811,987	2,484,147,547	100%

Reason for equity changes

√Applicable □Not applicable

1. Within the report period, the total shares of the Company rose by 97,511,654 due to the implementation of restricted share incentive plan.

2. The total share of the Company rose by 311,300,333 due the implementation of the implementation of 2016 profit distribution and capitalization of capital reserve.

3. Due to changes in the posts of directors, supervisors and other senior management of the Company, the restricted shares held by

the senior management of the Company were adjusted consequently according to the provisions of the Shenzhen branch of the China Securities Registration and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and as a result, the restricted shares and non-restricted shares of the Company changed accordingly.

Approval on equity changes

√Applicable □Not applicable

1. 2016 profit distribution and the capitalization of capital reserve propose was deliberated and approved on the 19th Meeting of the 7th Session of Board of Directors held on Apr. 27, 2017 and 2016 Annual General Meeting of Shareholders held on May 22, 2017.

2. The restricted share incentive plan of the Company were deliberated and approved on the 3rd Meeting of the 8th Session of b Board of Directors and the 3rd Meeting of the 8th Session of Supervisor Committee convened on Oct. 10. 2017, and eventually deliberated and approved on the 5th Extraordinary General Meeting of Shareholders of 2017 convened on Oct. 26, 2017.

Transfer of ownership of changes in shares

√Applicable □Not applicable

1. The A-share registration date for 2016 annual profit distribution and the capitalization of capital reserve was on Jul. 19, 2017 and the ex-dividend date was Jul. 19, 2017. A-shares bonus (or capitalized) were directly recorded in the stockholders' A-share accounts on July 19, 2017. The registration date and ex-dividend date of B shares were July 21, 2017 and July 19, 2017 respectively. B-shares bonus (or capitalized) were directly recorded in shareholders' B-share accounts on Jul. 21, 2017.

2. The first granting date of the company's restricted stock incentive plan is Dec. 11, 2017, and the first granted restricted shares shall not permitted for trading until Dec. 25, 2017.

3. On Jan. 11, 2017, Mr. Zhao Peng was elected as the employee representative supervisor of the 7th Session of the Supervisor Committee of the Company in the First Staff Congress of the Company and therefore 75% or 1875 shares of the Company held by him were classified as executive locked stocks. On Apr. 13, 2017, Mr. Zhao Peng was elected as the employee representative supervisor of 8th of the Supervisor Committee of the Company in the Second Staff Congress of the Company in 2017 and therefore 75% or 1875 shares of the Company held by him were reclassified as executive locked stocks. Due to the profit distribution and capitalization of capital reserve on Jul. 21, 2017, the shares held by Mr. Zhao Peng rose by 375 shares and 75% or 281 shares added were classified as executive locked stocks.

4. On Feb. 23, 2017, the interim meeting of the 7th Session of Board of Directors of the Company deliberated and approved *the Proposal for Employing Senior Management* in which Mr. Li Weinan was elected as Vice President of the Company. And as a result, 75% or 225,000 shares held by him was classified as executive locked stocks. On May 2, 2017, the 1st Meeting of the 8th Session of Board of Directors of the Company deliberated and approved *the Proposal for Employing the New Session of Senior Management* where Mr. Li Weinan was elected as Vice President of the Company. And as a result, 75% or 225,000 shares held by him were classified as executive locked stocks. Due to the profit distribution and capitalization of capital reserve on Jul. 19, 2017, the shares held by Mr. Li Weinan rose by 45,000 shares and 75% or 33, 750 added were classified as executive locked stocks.

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

Please refer to the main accounting data and financial indicators in this report for the details of the impact of stock changes.

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

Shareholders' 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	4,500,388	4,500,388	0	0	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	1,810,000	1,810,000	0	0	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	1,790,000	1,790,000	0	0	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	1,730,000	1,730,000	0	0	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	1,530,000	1,530,000	0	0	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	2017-5-16

					locked up for six months.	
Zhang Bozhong	114,000	114,000	0	0	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	1,050,000	1,050,000	0	0	On 16 November 2016, Ding Jiuru who used to be Secretary 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.	2017-5-17
Zhou Hong	212,500	212,500	0	0	On 12 August 2016, Zhou Hong 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
Chen Lin	0	0	3,207,639	3,207,639	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period, after the ban is lifted, the shares held by the executives will be locked according to relevant policies.
Lu Wenhui	0	0	2,405,729	2,405,729	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period,

						after the ban is lifted, the shares held by the executives will be locked according to relevant policies.
Li Weinan	0	0	2,549,920	2,549,920	Executive locked stocks of 258,750 shares and 2,291,170 shares of equity incentives awarded on December 11, 2017	Executive locked stocks of 258,750 will be locked up for a long time. According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period, after the ban is lifted, the shares added will be locked according to relevant policies.
He Jin	0	0	1,600,000	1,600,000	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period, after the ban is lifted, the shares held by the executives will be locked according to relevant policies.
Yang Xinyu	0	0	2,291,170	2,291,170	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period, after the ban is lifted,

						the shares held by the executives will be locked according to relevant policies.
Core Management Team (108 persons)	0	0	62,410,653	62,410,653	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period
Technology and Business Backbone (341 persons)	0	0	23,305,293	23,305,293	Awarded equity incentives on December 11, 2017	According to the implementation of the Company's restricted stock equity incentive plan to implement the lifting of the restriction period
Zhao Peng	0	0	2,156	2,156	Executive locked stocks of of 2156 shares	Long-term locked
Total	12,736,888	12,736,888	97,772,560	97,772,560	--	--

Note: In case the unlocking conditions of the restricted stock incentive plan is satisfied, the restricted shares Unlock in three phases after 12 months from the date of grant: 40% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 12 months to the last trading day of lock-up period of 24 months), 30% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 24 months to the last trading day of the lock-up period of 36 months), and 30% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 36 months to the last trading day of the lock-up period of 48 months).

II. Issuance and listing of Securities

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

√Applicable □ Not applicable

Name of stock and its derivative securities	Issue date	Issue price (or interest rate)	Issue volume	Listing date	Number of permitted trading transactions	Transaction termination date
Stock class						
Southern Glass A	December 11, 2017	4.28	97,511,654	December 25,	97,511,654	

				2017		

Explanation of the issuance of securities (excluding preferred shares) during the reporting period

On Oct. 10, 2017, the 3rd Meeting of the 8th Board of Directors of the Company deliberated and approved *2017 Restricted A- shares Incentive Plan of CSG Holding Co., Ltd (Draft)*and its summary, *the Management Method of the Implementation and Review* of *2017 Restricted A-shares Incentive Plan of CSG Holding Co., Ltd and the Resolution on Applying the General Meeting of Shareholders to Authorize the Board of Directors to Deal With the Related Matters on the Company's 2017 Restricted A-shares Incentive Plan*. The above contents are detailed in the *Announcement of the Resolution on the Third Meeting of the Eighth Session of the Board of Directors* published inwww.cninfo.com.cn (Announcement No.: 2017-063). The Company's independent directors issued independent opinions on the issues involved with restricted A- shares incentive plan.

On Oct. 26, 2017, the Company convened the 5th Extraordinary General Meeting in 2017, which deliberated and approved the above three proposals. The *Resolution on Adjusting the Object and Quantity Granted of 2017 Restricted A-share Incentive Plan and the Resolution on Firstly Granted Restricted Shares to the Object of 2017 Restricted A-share* were deliberated and approved on the 21stprovisional meeting of the eighth session board of directors convened on Dec. 11th, 2017. It determined to grant 97,511,654 restricted shares to 454 objects, with price at RMB 4.28/share. The reserved restricted shares was 17,046, 869 shares.

The granting of shares was completed on Dec. 25, 2017 and the specific content was detailed in the *Announcement on Completing the First Granting of 2017 Restricted Shares* disclosed in www.cninfo.com.cn on Dec. 22, 2017 (Announcement No.:2017-079).

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

√Applicable □ Not applicable

1. 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. The program was completed on July 21, 2017.
2. During the report period, the Company issued 97,511,654 restricted stocks to 454 incentive targets. The initial grant date for this restricted stock was December 11, 2017, and the share capital was increased to 2,484,147,547 shares after the grant was completed. The listing date for the initial grant of shares was December 25, 2017.

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	165,330	Total shareholders at the end of the month before this annual report disclosed	157,660	Total preference shareholders with voting rights recovered at end of report period (if	N/A	Total preference shareholders with voting rights recovered at end of the month before this annual	N/A

				applicable)		report disclosed (if applicable)	

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 held	Amount of un-restricted shares held	Number of share pledged/frozen	
							Share status	Amount
Foresea Life Insurance Co., Ltd. – Haili Niannian	Domestic non state-owned legal person	14.84%	368,685,276	48,089,384		368,685,276		
Foresea Life Insurance Co., Ltd. – Universal Insurance Products	Domestic non state-owned legal person	3.77%	93,616,606	12,210,862		93,616,606		
Shenzhen Jushenghua Co., Ltd.	Domestic non state-owned legal person	2.76%	68,484,938	8,932,818		68,484,938	pledged	68,484,915
Foresea Life Insurance Co., Ltd. – Own Fund	Domestic non state-owned legal person	2.06%	51,197,756	6,677,968		51,197,756		
Central Huijin Asset Management Ltd.	State-owned legal person	1.84%	45,782,995	5,971,695		45,782,995		
China Galaxy International Securities (Hong Kong) Co., Limited	Foreign legal person	1.30%	32,396,045	3,703,833		32,396,045		
China Merchants Securities (HK) Co., Limited	State-owned legal person	1.05%	26,056,708	-4,060,347		26,056,708		
Shenzhen International Holdings (SZ) Limited	Domestic non state-owned legal person	0.93%	23,000,000	3,000,000		23,000,000		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.61%	15,272,911	1,992,119		15,272,911		
Wang Heng	Domestic natural person	0.54%	13,505,541	8,552,035		13,505,541		

Strategic investors or general legal person becomes top 10 shareholders due to shares issued (if applicable)	N/A

Explanation on associated relationship among the aforesaid shareholders	Among shareholders as listed above, 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 31,769,094 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.

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	368,685,276	RMB ordinary shares	368,685,276
Foresea Life Insurance Co., Ltd. – Universal Insurance Products	93,616,606	RMB ordinary shares	93,616,606
Shenzhen Jushenghua Co., Ltd.	68,484,938	RMB ordinary shares	68,484,938
Foresea Life Insurance Co., Ltd. – Own Fund	51,197,756	RMB ordinary shares	51,197,756
Central Huijin Asset Management Ltd.	45,782,995	RMB ordinary shares	45,782,995
China Galaxy International Securities (Hong Kong) Co., Limited	32,396,045	Domestically listed foreign shares	32,396,045
China Merchants Securities (HK) Co., Limited	26,056,708	Domestically listed foreign shares	26,056,708
Shenzhen International Holdings (SZ) Limited	23,000,000	RMB ordinary shares	23,000,000
VANGUARD EMERGING MARKETS STOCK INDEX FUND	15,272,911	Domestically listed foreign shares	15,272,911
Wang Heng	13,505,541	RMB ordinary shares	13,505,541

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 31,769,094 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

Whether the company's top 10 common shareholders and the top 10 shareholders of ordinary shares subject to unlimited sales have agreed to buy back transactions during the reporting period

□Yes √ No

2. Controlling shareholder of the Company

The nature of controlling shareholders: No holding body

The type of controlling shareholder: 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 519,824,469 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 20.93% of the Company's total shares; its related legal person Shenzhen Jushenghua Co., Ltd. held 68,484,938 shares, which accounts for 2.76% of the Company's total shares; its related legal person Chengtai Group Co., Ltd. held 40,876,749 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.65% of the Company's total shares. Foresea Life Insurance and its related legal persons totally held 25.33% 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

The nature of actual controller: no actual controller

The type of actual controller: 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 519,824,469 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 20.93% of the Company's total shares; its related legal person Shenzhen Jushenghua Co., Ltd. held 68,484,938 shares, which accounts for 2.76% of the Company's total shares; its related legal person Chengtai Group Co., Ltd. held 40,876,749 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.65% of the Company's total shares. Foresea Life Insurance and its related legal persons totally held 25.33% 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

Natural person

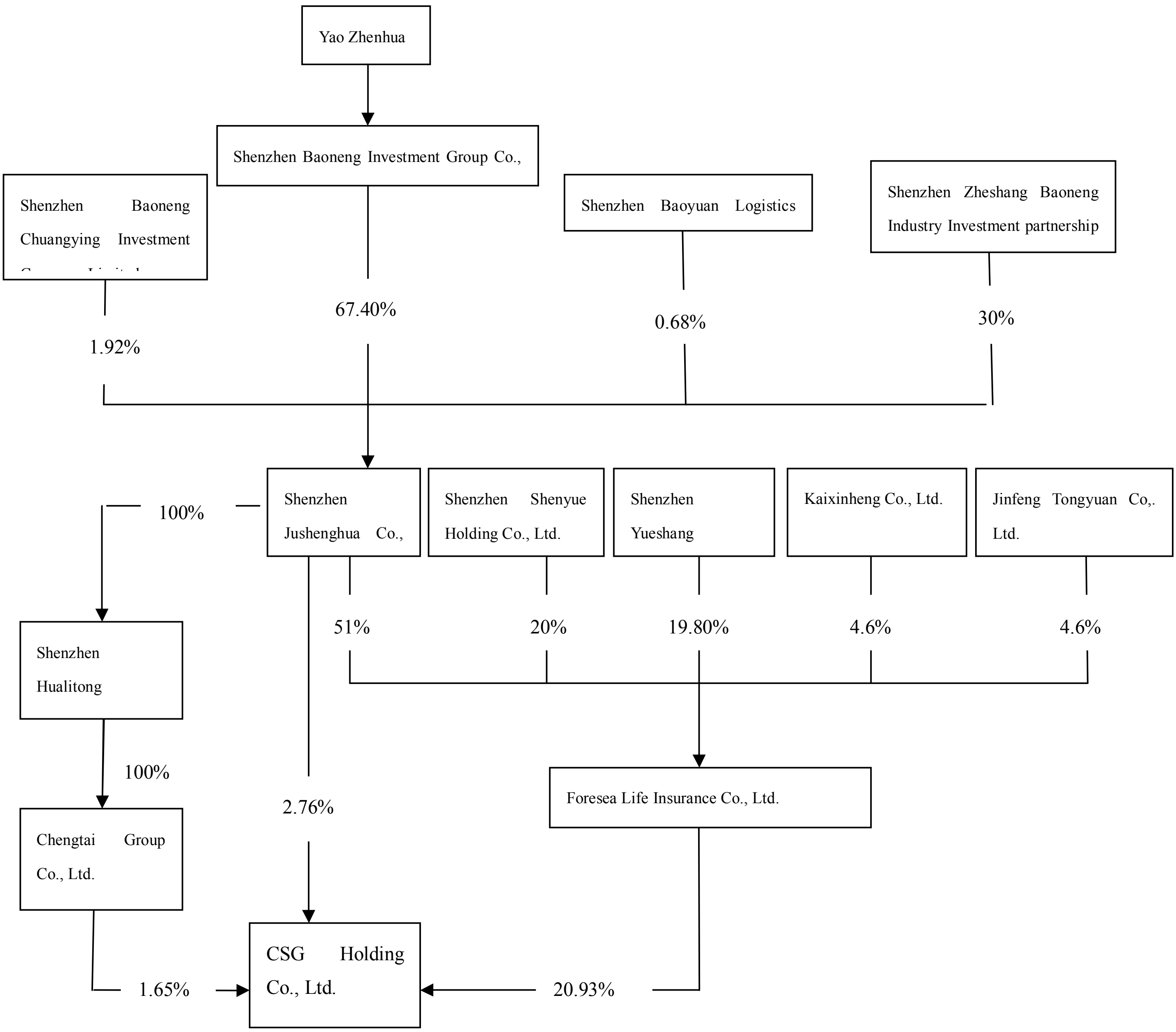
Shares held in ultimate controlling level

Shareholders	Nationality	Whether to obtain the right of abode in other countries or regions
Yao Zhenhua	China	No
Major occupations and duties	Chairman of Shenzhen Baoneng Investment Group Co., Ltd.	
Situation of holding domestic and abroad listed companies over the past 10 years	N/A	

Changes of actual controller in the report period

□ Applicable √ Not applicable

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



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

□Applicable √Not applicable

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	46	2016-11-19	2020-05-02		3,207,639			3,207,639
Wang Jian	Secretary of the Party Committee, Deputy Chairman of the Board	Currently in office	Male	54	2016-01-21	2020-05-02					
Jin Qingjun	Independent Director	Currently in office	Male	61	2016-12-14	2020-05-02					
Zhan Weizai	Independent Director	Currently in office	Male	54	2016-12-14	2020-05-02					
Zhu Guilong	Independent Director	Currently in office	Male	54	2017-05-02	2020-05-02					
Zhang Jinshun	Director	Currently in office	Male	53	2017-05-02	2020-05-02					
Ye Weiqing	Director	Currently in office	Female	46	2016-01-21	2020-05-02					
Cheng Xibao	Director	Currently in office	Female	36	2016-01-21	2020-05-02					
Pan Yonghong	Director & CEO	Currently in office	Male	49	2017-02-23	2020-05-02					
Zhang Wandong	Chairman of the supervisory board	Currently in office	Female	49	2017-01-13	2020-05-02					
Li Xinjun	Supervisor	Currently	Male	50	2017-01-	2020-05-					

		in office			13	02					
Zhao Peng	Supervisor	Currently in office	Male	56	2017-01-11	2020-04-13					
Lu Wenhui	Executive Vice President	Currently in office	Male	55	2017-02-23	2020-05-02		2,405,729			2,405,729
Li Weinan	Vice president	Currently in office	Male	56	2017-02-23	2020-05-02		2,636,170			2,636,170
Li Cuixu	Vice president	Currently in office	Male	43	2018-04-08	2020-05-02					
He Jin	Vice president	Currently in office	Male	46	2018-04-08	2020-05-02		1,600,000			1,600,000
Yang Xinyu	Secretary of the Board	Currently in office	Male	38	2017-05-02	2020-05-02		2,291,170			2,291,170
Fu Qilin	Independent Director	Post leaving	Male	63	2012-04-17	2017-05-02					
Long Long	Chairman of the supervisory board	Post leaving	Male	62	2011-04-15	2017-01-13					
Hong Guo'an	Supervisor	Post leaving	Male	63	2011-04-15	2017-01-13					
Yan Wendou	Supervisor	Post leaving	Male	50	2014-03-15	2017-01-11					
Total	--	--	--	--	--	--		12,140,708			12,140,708

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reason
Wang Jian	Deputy Chairman of the Board	Be elected	2017-09-15	Election of deputy chairman of board
Zhu Guilong	Independent Director	Be elected	2017-05-02	Election the Board of Directors
Zhang Jinshun	Director	Be elected	2017-05-02	Election the Board of Directors
Pan Yonghong	Director	Be elected	2017-05-02	Election the Board of Directors
Zhao Peng	Supervisor	Be elected	2017-01-11	Election of employee supervisor
Lu Wenhui	Executive Vice President	Be employed	2017-02-23	Senior management employed by the Board of Directors

Li Weinan	Vice president	Be employed	2017-02-23	Senior management employed by the Board of Directors
Li Cuixu	Vice president	Be employed	2018-04-08	Senior management employed by the Board of Directors
He Jin	Vice president	Be employed	2018-04-08	Senior management employed by the Board of Directors
Yang Xinyu	Secretary of the Board	Be employed	2017-05-02	Secretary employed by the Board of Directors
Fu Qilin	Independent Director	Post leaving	2017-05-2	The change of the board of directors
Long Long	Chairman of the supervisory board	Post leaving	2017-01-13	Resigned
Hong Guo'an	Supervisor	Post leaving	2017-01-13	Resigned
Yan Wendou	Supervisor	Post leaving	2017-01-11	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 General Manager Assistant in Shenzhen Juhua Investment and Development Co., Ltd., Department Manager, General Manager Assistant, and Deputy General Manager in Shenzhen Shum Yip Logistics Group Co., Ltd. At present, she is Deputy General Manager in Shenzhen Shum Yip Logistics Group Co., Ltd., Chairman of the Board of Supervisors of Foresea Life Insurance Co., Ltd. and Chairman of Board of Supervisors of Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd., Executive Director and General Manager of Shenghua Credit Co., Ltd., Chairman of Board of Shenzhen Baoyuan Logistics Co., Ltd, Supervisor of Shenzhen Jushenghua Co., Ltd., Director of Guangdong Shaoneng Group Co., Ltd., Chairman of the Board of Baoneng Automobile Co., Ltd., Chairman of the Board of Qoros Automobile Co., Ltd. and Chairman of the Board of the Company.

Wang Jian: took posts of General Manager and Executive Director of China North Industries Tianjin Corporation, General Manager and senior consultant of China North Vehicle Co., Ltd., and Deputy Chairman and Chairman of Shanghai Nonferrous Metals E-Commerce Co., Ltd., General Manager of investment management department of China North Industries Corporation, Chairman of the Board of Chengdu Yinhe Dynasty Hotel Co., Ltd., Deputy Chairman of the Board of Shenzhen Baoyin Electricity Co., Ltd., Chairman of the Board of North Property Development Company Limited. At present he is Secretary of the Party Committee and Deputy Chairman 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, Independent Director of Guo Tai Jun An Securities, Independent Director of Bank of Tianjin Co., Ltd, Independent Director of Sino-Ocean Land Holdings Limited, Independent Director of Times Property Holding Limited, Director of Konka Group Co., Ltd, External Supervisor of China Merchants Bank Co., Ltd, and Independent Director of the Company.

Zhan Weizai: took posts of Vice Manager of the financial department of Donghui Industrial Co., Ltd, General Manager Assistant of Shenzhen Xili Hotel, Director and Chief Financial Officer of Shenzhen Qiaoshe Industry Co.,Ltd.., the Leader of the audit & law department of Shenzhe Truism (Group) Company and Vice General Manager of Sinosafe General Insurance Company Limited. He currently holds the post of Supervisor of Shenzhen Dewo Industrial Development Co., Ltd, Supervisor of Shenzhen Dewo

Investment Development Co., Ltd, Chairman of Board and Manager of Huazhang Investment Holding Co., Ltd, Independent Director of Shenzhen Neptunus Bioengineering Co., Ltd., Independent Director of Hubei Zhenhua Chemical Co., Ltd, Independent Director of Shenzhen Longood Intelligent Electric Co., Ltd., Independent Director of Shenzhen Liantronics Co., Ltd and Independent Director of the Company.

Zhu Guilong: took posts of the researcher of the Institute of Forecasting and Development at Hefei University of Technology. Currently, he is a professor and doctoral tutor of the School of Business Administration, South China University of Technology, and holds a concurrent post of the Vice Chairman of Systems Engineering Society of China, Executive Director of Chinese Association For Science of Science and S&T Policy, the Vice Chairman of Guangdong Institute of Technical Economy and Management Modernization, and Guangdong Economic Society, the Independent Director of GRG BANKING EQUIPMENT CO., LTD., the Independent Director of Jiangsu Saifutian Steel Cable Co., Ltd., Independent Director of Guangzhou Kingmed Diagnostics Group Co., Ltd., and the Independent Director of the Company.

Zhang Jinshun: took posts of member of the Party Committee and Deputy President of the head office of Ping An Bank, as well as Chairman of Board of Ping An Trust Co., Ltd. and the Secretary of the Party Committee. He currently serves as Deputy Chairman of the Board of Shenzhen Baoneng Investment Group Co., Ltd., President and CEO of Shenzhen jushenghua Co., Ltd., Chairman of Board of Foresea Life Insurance Co., Ltd., and Director of the Company.

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

Cheng Xibao: took posts of Deputy Manager and Manager of financial department of Huizhou Olympic Garden Co., Ltd., which is a subsidiary of China Sports Group Industry, Manager of financial department of Shenzhen Xuansheng Investment Co., Ltd., which is a subsidiary of Foxconn, and Manager, Vice President, Executive Vice President of financial department, President Assistant and Vice President of Shenzhen Baoneng Investment Group Co., Ltd. At present, she is Vice President of Shenzhen Baoneng Investment Group Co., Ltd. and Vice President of Shenzhen Jushenghua Co., Ltd., Vice President of Baoneng City Development and Construction Group Co., Ltd., the Supervisor of Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd., Director of Foresea Life Insurance Co., Ltd. Director of Baoneng Automobile Co., Ltd., Director of Qoros Automobile Co., Ltd., Supervisor of Guizhou Baoneng Automobile Co., Ltd. and Director of the Company.

Pan Yonghong: took posts of Director, Chief Financial Officer and General Manager of China Resources Cement Investment Limited, General Manager and President of China Resources Cement Holdings Limited and Senior Vice President of China Resources Asset Management Limited. He currently serves as Director of the Company and Chief Executive Officer 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, Supervisor of Zhejiang Ruizhen Logistics Co., Ltd., Supervisor of Shanghai Jiajin Logistics Co., Ltd., Supervisor of Zhejiang Ruizhen Supply China Management Co., Ltd., Supervisor of Yancheng Ruizhen Logistics Co., Ltd., Director of Shenzhen Sinotrix Software Co.,Ltd. and Chairman of the supervisory board of the Company.

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

Zhao Peng: took posts of General Manager Assistant of Libi Composite Plastics (Shenzhen) Co., Ltd., Assistant to the Chairman of Shenzhen Wanji Group Co., Ltd., Director of Kongfujia Wine Co., Ltd., General Manager of Shenwei Pharmaceutical Co., Ltd., 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 Department of the Company and the Employee Supervisor of the Company.

Mr. Lu Wenhui: took posts of Vice General Manager of the Company and General manager of Float Glass Business Department of the company, the vice president of the company and the general manager of the Engineering and Automotive Glass Business Department of the company, the chief economy expert of the company, the manager of Enterprise Operation Department, the vice president of the Solar Business Department, the vice president of the company and the president of the Fine Glass Business Department, and the president of Shenzhen Monitor Company, a subsidiary company. At present, he is the executive vice president and the president of the Intelligent Electronic Display Business Department.

Li Weinan: took posts of the manager of the company’s Securities Investment Department and the manager of Operation Department, the assistant of the company’s president and the general manager of Dongguan Solar Energy Company, the general manager of Dongguan PV, the general manager of CSG (Yichang), the executive vice president of the company, the president of the Solar Business Department, and the president of the Electronic Glass and Display Parts Department. He is presently the vice president of the company.

Li Cuixu: took posts of the director of the Safety Production Department of Hebei Shijiazhuang New Cast Pipe Co., Ltd., the project manager, assistant general manager and deputy general manager of the Investment and Management Department of China North Industrial Company. He is present the vice president of the company.

He Jin: took posts of a senior economy expert.He has been the general manager of CSG (Shenzhen) Float Glass Co., Ltd., the vice president of Float Glass Department, the general manager of CSG (Dongguan) Solar Glass Co., Ltd., the general manager of CSG (Chengdu) Co., Ltd. and the general manager of CSG (Qingyuan) Energy Saving New Material Co., Ltd. He is currently the assistant president of the company, the president of the Flat Panel and Electronic Glass Department and the vice president of the company.

Yang Xinyu: took posts of the Securities Department of Beijing Jindu Law Firm, the risk control director of the Law Department of Honghua International Medical Holding Co., Ltd and the assistant of the chairman of the board. He is currently the secretary of the board of directors, the assistant president and the director of the Audit and Supervision Department.

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	Supervisor	Jul. 2016	--	No

	Development Co., Ltd.				
Wang Jian	China North Industrial Corporation	General Manager of Investment and Operation Department	Apr. 2012	Sep.2017	Yes
Ye Weiqing	Shenzhen Jushenghua Co., Ltd.	Chairman of Board and General Manager	Nov. 2009	--	No
	Foresea Life Insurance Co., Ltd.	Director	Feb. 2012	--	No
Chen Xibao	Shenzhen Jushenghua Co., Ltd.	Vice President	Mar. 2016	--	No
Zhang Jinshun	Shenzhen Jushenghua Co., Ltd.	President & CEO	Jan. 2016		Yes
	Foresea Life Insurance Co., Ltd.	Chairman of Board	Sep. 2017		No
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	Shenzhen Shum Yip Logistics Group Co., Ltd.	Deputy General Manager	May 2003	--	No
	Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd.	Chairman of the Board of Supervisors	Jul. 2016	--	No
	Shenghua Credit Co., Ltd.	Executive Director & General Manager	Sep. 2015	--	No
	Shenzhen Baoyuan Logistics Co., Ltd.	Chairman of the Board	June 2010	--	No
	Guangdong Shaoneng Group Co., Ltd.	Director	Nov. 2015	--	Yes
	Baoneng Automobile Co., Ltd.	Chairman of the Board	Dec. 2017	--	No
	Qoros Automobile Co., Ltd.	Chairman of the Board	Dec. 2017	--	No
Wang Jian	Chengdu Yinhe Dynasty Hotel Co., Ltd.,	Chairman of the Board	Apr. 2012	Sep. 2017	No
	Shenzhen Baoyin Electricity Co., Ltd.	Deputy Chairman of the Board	Sep. 2012	Sep. 2017	No
	North Property Development Company Limited	Chairman of the Board	May, 2014	Sep. 2017	No
Jin Qingjun	King & Wood Mallesons	Partner	Sep. 2002	--	Yes
	Invesco Great Wall Fund Management	Independent director	April 2003	--	Yes

	Company Limited				
	Guo Tai Jun An Securities	Independent director	Jan. 2013	--	Yes
	Bank of Tianjin Co., Ltd.	Independent director	Mar. 2017	--	Yes
	Sino-Ocean Land Holdings Limited	Independent director	Mar. 2016	--	Yes
	Times Property Holding Limited	Independent director	Oct. 2015	--	Yes
	Konka Group Co., Ltd.	Director	May 2015	--	Yes
	China Merchants Bank Co., Ltd.	External supervisor	Oct. 2014	--	Yes
Zhan Weizai	Shenzhen Dewo Industrial 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
Zhu Guilong	South China University of Technology	Professor and Doctoral tutor	Aug. 2000	--	Yes
	GRG BANKING EQUIPMENT CO., LTD.	Independent director	Dec. 2017	--	Yes
	Jiangsu Saifutian Steel Cable Co., Ltd.	Independent director	Aug. 2017	--	Yes
	Guangzhou Kingmed Diagnostics Group Co., Ltd.	Independent director	Nov. 2015	--	Yes
Zhang Jinshun	Shenzhen Baoneng Investment Group Co., Ltd.	Deputy Chairman of the Board	Mar. 2017	--	No
Ye Weiqing	Baoneng South China Investment Co., Ltd.	Chairman of the Board	Aug. 2017	--	No
	Shenzhen Shining Asset Management Co., Ltd.	Executive Director and General Manager	Jun. 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.,	Chairman of Board and General Manager	Feb. 2014	--	No

	Ltd.				
	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	Mar. 2010	--	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	May 2016	--	No
	Shenzhen Shum Yip Logistics Group Co., Ltd.	Director	Oct. 2003	--	No
Chen Xibao	Shenzhen Baoneng Investment Group Co., Ltd.	Vice President	Dec. 2017	--	Yes
	Baoneng City Development and Construction Group Co., Ltd.	Vice President	Dec. 2017		No
	Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd.	Supervisor	Sep. 2016	--	No
	Foresea Life Insurance Co., Ltd.	Director	Oct. 2017	--	No
	Baoneng Automobile Co., Ltd.	Director	Mar. 2017	--	No
	Qoros Automobile Co., Ltd.	Director	Dec. 2017	--	No
	Guizhou Baoneng Automobile Co., Ltd.	Supervisor	Jan. 2018	--	No
Li Weinan	Yichang Hongtai Property Co., Ltd.	Chairman of Board	Nov. 2013	Dec. 2017	No
Zhang Wandong	Guangdong Shu Jin Law Firm	Certified 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

	Yancheng Ruizhen Logistics Co., Ltd.	Supervisor	Aug. 2017	--	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, external directors from non-shareholder's unit and external supervisors are planned and proposed 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, external director from non-shareholder's unit and each external supervisor are RMB 0.10 million per year, paid by actual month of service. The total remuneration for directors, supervisor and senior executives in the report period was RMB 13.3829 million.

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

Unit: RMB0,000

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	Chairman of the Board	Female	46	Currently in office	0	Yes
Wang Jian	Secretary of the Party Committee, Deputy Chairman of the Board	Male	54	Currently in office	109.15	No
Jin Qingjun	Independent Director	Male	61	Currently in office	10.83	No
Zhan Weizai	Independent Director	Male	54	Currently in office	10.83	No
Zhu Guilong	Independent	Male	54	Currently in	6.67	No

	Director			office		
Zhang Jinshun	Director	Male	53	Currently in office	0	Yes
Ye Weiqing	Director	Female	46	Currently in office	0	Yes
Cheng Xibao	Director	Female	36	Currently in office	0	Yes
Pan Yonghong	Director & CEO	Male	49	Currently in office	354.41	No
Zhang Wandong	Chairman of the supervisory board	Female	49	Currently in office	10	No
Li Xinjun	Supervisor	Male	50	Currently in office	10	No
Zhao Peng	Supervisor	Male	56	Currently in office	87.36	No
Lu Wenhui	Executive Vice President	Male	55	Currently in office	280.56	No
Li Weinan	Vice president	Male	56	Currently in office	237.98	No
Li Cuixu	Vice president	Male	43	Currently in office	0	No
He Jin	Vice president	Male	46	Currently in office	135.47	No
Yang Xinyu	Secretary of the Board	Male	38	Currently in office	85.03	No
Fu Qilin	Independent Director	Male	63	Post leaving	0	No
Long Long	Chairman of the supervisory board	Male	62	Post leaving	0	No
Hong Guo'an	Supervisor	Male	63	Post leaving	0	No
Yan Wendou	Supervisor	Male	50	Post leaving	0	No
Total	--	--	--	--	1,338.29	--

Directors and senior management of the company were granted equity incentives during the reporting period

√Applicable □Not applicable

Unit: Share

Name	Title	Number of shares outstandi	Number of shares already	The exercise price of	Market price at the end of the	The number of restricted	Number of shares unlocked	Number of restricted shares	The granting price of	The number of restricted

		ng during the report period	exercised during the report period	the exercised shares during the report period (RMB / share)	report period (RMB / share)	stocks held at the beginning of the period	in this period	newly granted during the report period	restricted stock (RMB / share)	stocks held at the end of the period
Chen Lin	Chairman of the Board	0	0	--	--	0	0	3,207,639	4.28	3,207,639
Lu Wenhui	Executive Vice President	0	0	--	--	0	0	2,405,729	4.28	2,405,729
Li Weinan	Vice president	0	0	--	--	0	0	2,291,170	4.28	2,291,170
He Jin	Vice president	0	0	--	--	0	0	1,600,000	4.28	1,600,000
Yang Xinyu	Secretary of the Board	0	0	--	--	0	0	2,291,170	4.28	2,291,170
Total	--	0	0	--	--	0	0	10,195,708	--	10,195,708
Remarks (if any)		The above restricted stocks held by directors and senior executives have not been unlocked.								

V. Particulars of workforce

1. Number, professional composition and educational background of employees

Number of employees in the parent company (person)	141
Number of employees in major subsidiaries of the Company (person)	11,964
Total number of employees (person)	12,105
Total number of employees received salaries in the period (person)	12,105
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	8,835
Salesman	582
Technician	1,500
Financial personnel	116
Administrative personnel	1,072

Total	12,105
Educational background	
Category of educational background	Number (person)
Doctor	8
Master	184
Undergraduate	2,202
Junior college	2,343
Degree below junior college	7,368
Total	12,105

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 in the report period. 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 ofthe *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*(ZGZJHGGNo. [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 the largest shareholder' 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 interferred 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

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 2017	Extraordinary General Shareholders' Meeting	29.55%	2017- 01-13	2017-01-14	Announcement No.: 2017-003

					（www.cninfo.com.cn）
The Second Extraordinary General Shareholders' Meeting of 2017	Extraordinary General Shareholders' Meeting	30.26%	2017-03-02	2017-03-03	Announcement No.: 2017-018 （www.cninfo.com.cn）
TheThird Extraordinary General Shareholders' Meeting of 2017	Extraordinary General Shareholders' Meeting	29%	2017-05-02	2017-05-03	Announcement No.: 2017-033 （www.cninfo.com.cn）
Annual General Shareholders' Meeting of 2016	Annual General Shareholders' Meeting	29.07%	2017-05-22	2017-05-23	Announcement No.: 2017-035 （www.cninfo.com.cn）
The Fourth Extraordinary General Shareholders' Meeting of 2017	Extraordinary General Shareholders' Meeting	29.44%	2017-08-18	2017-08-19	Announcement No.: 2017-051 （www.cninfo.com.cn）
The Fifth Extraordinary General Shareholders' Meeting of 2017	Extraordinary General Shareholders' Meeting	30.15%	2017-10-26	2017-10-27	Announcement No.: 2017-070 （www.cninfo.com.cn）

V. Responsibility performance of independent directors in the report period

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

The situation of independent directors attending the board of directors and shareholders' meetings						
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
Jin Qingjun	20	5	15	0	0	No
Zhan Weizai	20	6	14	0	0	No
Zhu Guilong	14	4	10	0	0	No
Fu Qilin	6	2	4	0	0	No

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

During the report period, the independent directors did not raise objections to the Company's related matters.

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, internal control construction and so on, which played a positive role in safeguarding the interests of the company and minority shareholders.

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:

①Deliberate the Company's finanical statement and issue opinions

During the reporting period, in accordance with the requirements of the Securities Regulatory Commission, the Audit Committee reviewed the relevant annual work plan for the audit of annual reports submitted by certified public accountants before the annual audited certified public accountants entered the market, and provided guidance opinions; after the annual audit certified public accountants issued preliminary audit opinions, the audit The committee reviewed the Company's financial accounting statements again and expressed opinions on the company's adjustment of accounting errors and other related matters of the financial statements. It is believed that this adjustment of accounting errors is conducive to a more fair and objective reflection of the company's financial status, and agrees to handle the correction of accounting errors. . At the same time, the basis, basis, principles, and methods for the preparation of the Company's 2017 accounting statements are in compliance with the relevant provisions of national laws and regulations, and in all major respects they fairly reflect the financial status of the Company on December 31, 2017 and its operating results in 2017.

②Supervise the audit works conducted by the accountant firm

The Audit Committee communicated with the accounting firms and provides guidance and requirements for the annual financial report audit work and the plans and arrangements for the internal control report audit work. After the CPA came into the audit, the members of the Audit Committee kept close contact with the Company and the main project responsible personnel to understand the progress of the audit work and the concerns of the accountants, and timely feedback to the company's relevant departments to ensure that the annual audit and information disclosure work was conducted as scheduled.

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

Asia Pacific (Group) CPAs (special general partnership) strictly follows the China Auditing Standards and practices diligently, paying attention to the communication with the management and the audit committee, which reflects strong professional knowledge, good professional ethics and risk awareness. The firm successfully completed the company's 2017 financial statement audit work and internal control audit work, and the audit quality is trustworthy.

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.

①According 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.

②The 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.

①In 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.

②Nomination committee of the Board performed evaluation on the work of the Board, and believed that the directors of 7th 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 reportperiod

□ Yes √ No

1. Self-appraisal report of internal control

Disclosure date of full text of self-appraisal report of internal control	2018-4-23	
Disclosure index of full text of self-appraisal report of internal control	More details found in " Report of Internal Control of CSG for year of 2017" published on Juchao Website (http://www.cninfo.com.cn)	
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	96%	
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	97%	
Standards of Defects Evaluation		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	**Major defects:** 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. **Significant defects:** 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;	**Major defects:** 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; **Significant defects:** 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; **Common defects:** Other control defects except for major defects and significant defects.

	C. Financial reports submitted during the reporting period have mistakes frequently; D. Other significant defects that may affect the report users' correct judgment. **Common defects:** Other control defects except for major defects and significant defects.	
Quantitative standard	**Major defects:** 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; B. Amount of assets and liabilities affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 1% of total assets. **Significant defects:** 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; 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. **Common defects:** Defects except for major and significant defects.	**Major defects:** A. Amount of direct property loss: the direct loss amount is equal to or greater than 30 million yuan; 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. **Significant defects:** 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; 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. **Common defects:** A. Amount of direct property loss: defects except for major and significant defects. 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.
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 major issues related to internal control

In the period from 2012 to 2013, in order to attract CSG to further expand industrial investment in Yichang area and locate the projects related to fine glass and ultra-thin electronic glass in Yichang, the people's government of Yichang area had signed three agreements with CSG in succession, according to which, the local government would offer related preferential policies to CSG so as to support the related development of industries. Thereinto, the administration committee of Yichang Hi-tech Industrial Area committed to offer a special government subsidy at RMB171.00 million to CSG, which should be used for the talent introduction and resettlement by CSG in Yichang area. According to provisions of agreements alike, the company commissioned CSG (Yichang) Silicon Material Co., Ltd., a wholly owned subsidiary of CSG, to receive such funds. The administration committee of Yichang Hi-tech Industrial Area has appropriated full amount of such funds to CSG (Yichang) Silicon Material Co., Ltd.in the year of 2014.

Now, it is found out that, after receiving the above subsidy funds from the government of Yichang, CSG (Yichang) Silicon Material Co., Ltd., not subject to the appropriable review and approval of involved authorities including the board of directors at that time, immediately transferred such funds in full to Yichang Hongtai Properties Co., Ltd, which is jointly held and indirectly controlled by some former natural top executives of our company and has no ownership relationship with our company. In that year, CSG did not carry out any accounting treatment and disclosure in financial statements at the level of headquarters or in the consolidated financial statements.

The company attached great importance to this problem. First, organized a special internal verification on the issue, fully understood the relevant information, and interviewed the relevant government departments to understand the nature and purpose of such government subsidy and related provisions on the use of such funds; Secondly, strengthened training and publicity of information disclosure rules, and enhanced training and publicity to top management in the aspect of supervision rules and professional ethics; Thirdly, integrated the internal control system of the company and strengthened internal supervision.

As of the issuance date of the report, the company did not find other internal control information which might have a significant impact on the investors' understanding of the internal control evaluation report or their evaluation of internal control of the company or on the investment decisions made by investors.

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, Asia Pacific (Group) CPAs (special general partnership) (hereinafter referred to as AP) audited the effectiveness of internal control over financial statements of the Company up to 31 December 2017, issued AP Ya-Kuai- A-He-Zi (2018) No. 0025 Internal Control Audit Report and made the following opinions: AP 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 on December 31, 2017.	
Date of disclosing the internal control audit reports	23 April 2018
Disclosure index of internal control audit report	More details can be found in 2017 Internal Control Audit Report of CSG released on Juchao Website (http://www.cninfo.com.cn)
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

Whether the company has a public offering and is listed on the stock exchange, and the company bonds that have not been fully paid or matured on the date of approval of the annual report

No

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	0	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	The 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 corporate bond "10 CSG 02" expired on October 20, 2017. The Company completed the bond principal and the payment of interest between October 20, 2016 and October 19, 2017 on October 20, 2017.						
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. Informantion 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 applicable)	Not applicable						

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 2017, 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 +.

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 2017, the Company paid the principal and 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

The Company disclosed the "*2010 Annual Corporate Bonds Trusteeship Transaction Report (2016)*" prepared by China Merchants Securities Co., Ltd. at Juchao website (http//www.cninfo.com.cn) on May 18, 2017.

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

RMB 0,000

Item	2017	2016	Rate of change over the same period
Earnings before interest tax depreciation and amortiation	231,334	213,158	8.48%
Flow rate	66%	38%	28%
Assets liabilities rate	55%	53%	2%
Speed ratio	57%	31%	26%
Total debt ratio of EBITDA	22%	24%	-2%
Interest coverage ratio	3.81	4.44	-14.19%
Cash interest coverage ratio	9.38	10.36	-9.46%
interest coverage ratio of EBITDA	6.72	7.79	-13.74%
Loan repayment rate	100%	100%	--
interest coverage ratio	100%	100%	--

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

1. On February 13, 2017, the Company completed the repayment of the second batch of ultra-short- term financing bills of 2016 with total amount of RMB 0.9 billion and annual rate of 4.18%, which were issued on May 7, 2016.
2. On May 1, 2017, the Company completed the repayment of the third batch of ultra-short- term financing bills of 2016 with total amount of RMB 0.6 billion and annual rate of 3.67%, which were issued on August 2, 2016.
3. On June 2, 2017, the Company completed the repayment of the fourth batch of ultra-short- term financing bills of 2016 with total amount of RMB 0.5 billion and annual rate of 3.50%, which were issued on September 1, 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 8,548.21 million and use quota of RMB 4,632.13 million and repaid loans of RMB 2,154.11 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	20 April 2018
Name of Auditor's organization	Asia Pacific (Group) CPAs (special general partnership)
Reference number of Report of the Auditors	Ya-Kuai- A-Shen-Zi (2018) No. 0118
Name of CPA	Pan Qian, Zhang Yan

Auditor's Report

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

I. Opinion

We have audited the accompanying financial statements of CSG Holding Co., Ltd. (hereinafter "the Company"), which comprise the Separate/Consolidated Statements of Financial Position as at 31 December 2017, and the Separate/Consolidated Statements of profit or loss, the Separate/Consolidated Statements off changes in equity and the Separate/Consolidated Statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of the Company as at Dec. 31, 2017 and the consolidated and parent business performance and cash flow of the Company for 2017.

II. Basis of Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibility is to express an opinion on these financial statements based on our audit. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

I) Impairment of fixed assets and the construction in progress

1. Matter description

As of December 31, 2017, the balance of fixed assets of the CSG Group was RMB 16.670 billion and book value was RMB 11.541 billion, the original value of the construction in progress was RMB 1.51 billion, and book value was RMB 1.42 billion. Book value of fixed assets and construction in progress was 66.33%. By the end of the period, a total of RMB 375 million was depreciated for fixed assets and construction in progress. For details, please refer to Note 4(9) and Note 4(10) of the Financial Statements. The matter involves significant amount, and involves significant judgments and estimates made by the management. Therefore, we consider the impairment provisions for fixed assets and construction in progress as key audit matters.

2. Countermeasures of Audit

(1) Estimate the rationality and the effectiveness of its execution of the internal control system of the fixed assets and the construction in progress;

(2) Check the asset impairment list of the construction in progress and the fixed assets, field survey and the fixed asset and use or storage of projects under construction;

(3) Check the method and calculation basis for checking the recoverable amount;
communicate with the management layer, understand and estimate whether the accounting estimate of the management layer about withdrawing the preparation for the impairment of assets is rational;

(4) Check whether the asset impairment perform relevant approval process;

(5) Review the confirmation of book values of the assets at the point of impairment, recalculate the recoverable amount and the impaired amount, Check whether the asset impairment account of the Company is handled correctly and Estimate whether the withdrawal of the asset impairment is rational and adequate.

(6) Check the presentation of financial statements and disclosure about the impairment of fixed assets and the constraction in progress.

II) Prior period accounting error correction

1. Matter description

1. As of December 31, 2017, CSG's consolidated statements of financial position listed a deferred income of RMB 171 million, which occurred and was received in 2014 but was not handled correctly the government subsidy special fund for the introduction of talents. For details, see Note (32) of Annotation 2 Important Account Policies. This matter is for all parties to pay attention to the accounting error correction. Therefore, we regard this matter as a key audit matter.

2. Countermeasures of Audit

(1)To understand the reasons for the formation of the matter, and to correct the situation of the previous accounts and to obtain relevant audit evidence;

(2) Analyze the nature and use of government subsidy funds according to the supporting documents such as government documents, receipt and payment vouchers that have been obtained, and understand the use of special funds;

(3) Check whether the accounting treatment and amount of the corrective matters are correct; whether the tax-related matters comply with the relevant provisions of the relevant tax laws;

(4) Conduct interviews with relevant government agencies to understand the nature and uses of government subsidy funds and related regulations regarding the use of funds;

(5) To understand the current status and follow-up arrangements of government subsidies for management;

(6) Check whether the government subsidy and the corresponding accounting title have been properly presented and disclosed in the financial statements as required

IV. Other information

The management layer of the Company (hereinafter referred to as the management layer) shall be responsible for other information, including the information covered in the financial report, but excludes financial statements and our audit report.

Our audit opinions on financial statements do not cover other information; we will not make the authentication conclusion on other information in any form.

Combining our audit of the financial statement, our responsibility is to read other information, during which, we shall consider that whether other information has any significant difference with the financial statement or the circumstance we know during the audit or is there any significant misstatement.

Based on the work we already executed, if we confirm that there are significant misstatements in other information, we shall report such a fact. On such aspect, there is nothing to report.

V. 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.

In preparing financial statements, the management layer is responsible for assessing the Company's sustained business capability, disclosing matters related to continue operating, using the going-concern assumption unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governance layer is responsible for supervising the financial reporting process of the company.

VI. The responsibility of Certified Public Accountants for the financial statement auditing.

Our objective is to obtain reasonable assurance on whether there is no misstatement in overall financial statements caused by fraud or error, and issue the audit report with audit opinions. Reasonable assurance is the high-level assurance, but it can't assure that a certain major misstatement can be always found when auditing according to the audit standard. The misstatement may be caused by malpractices or

error. If the misstatements within the rational expectations may affect the economic decision of the financial statement user according to the financial statement, it shall be deemed that the misstatement is significant.

During the process of conducting the audit work according to audit standards, we apply professional judgment and keep professional skepticism. Meanwhile, we also perform the following tasks:

(1) Identify and Estimate the significant misstatement risks of the financial statement due to the malpractices and error, design and implement the audit procedures to respond those risks, and obtain adequate and proper audit evidence serving as the basis of publishing the audit opinions. Since malpractices may involve in collusion, falsification, intentional omission, misrepresentation or overriding the internal control, the risk of failing to detect a significant misstatement due to malpractices is higher than the risk of failing to detect a significant misstatement due to the error.

(2) Understand the internal control related to audit, so as to design appropriate audit procedures.

(3) Estimate the appropriateness of the accounting policies selected by the management layer, and the rationality of making accounting estimate and relevant disclosures.

(4) Draw a conclusion on the appropriateness of the going concern assumption used by the management layer. Meanwhile, according to the obtained audit evidence, it may cause to come to the conclusion that there are substantial doubtable events or major uncertainty for the sustainable operation ability of the Company. In case that we come to the conclusion that there is a significant uncertainty, the audit standards require us to remind the users of the statements to pay attention to relevant disclosures in the financial statements in the audit report; In case of any insufficient disclosure, we shall give modified opinions. Our conclusion is based on the available information up to the audit report day. However, the future events or circumstances may cause the Company cannot continue to operate.

(5) Estimate the overall presentation, structure and content (disclosure included) of the financial statements, and Estimate whether the financial statements fairly reflect relevant transactions and matters.

(6) Acquire adequate and appropriate audit evidences on the financial information of the entity or business activities of the Company, and give audit opinions on the consolidated financial statements. We are responsible for guiding, supervising and executing the audit of the Group, and take all responsibilities for the audit opinions.

We communicate with the governance layer about the audit scope, schedule, significant audit findings and other matters within the plan, including the noteworthy internal control defects recognized by us during the audit.

We also provide statements to the governance layer on the compliance with the professional ethics requirement related to the independence, and communicate with
the governance layer on all relationships and other matters that may reasonably be considered to affect our independence, as well as relevant preventive measures.

From the matters that we have communicated with the governance layer, we confirm the most important matters for the audit of the current financial statements, and thus constitute the key audit matters. We describe these matters in our audit report, unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating a matter in the audit report will surpass the benefits in the public interests, we confirm that the matter shall not be communicated in the audit report.

Asia-Pacific (Group) Certified Public Accountants (special general partnership)	Certified Public Accountant of China
Beijing, China 20April 2018	Certified Public Accountant of China

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S BALANCE SHEETS
AS AT 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated	31 December 2017 Company	31 December 2016 Company (Restated
Current assets					
Cash at bank and on hand	4(1)	2,462,605,764	586,803,505	1,681,877,320	302,841,481
Notes receivable	4(2)	552,232,420	456,347,237	-	-
Accounts receivable	4(3)	638,238,290	627,985,983	-	-
Advances to suppliers	4(4)	143,848,023	95,733,132	146,132	16,880
Other receivables	4(5)/16(1)	205,939,019	200,809,149	2,400,334,816	4,030,701,029
Inventories	4(6)	685,895,317	477,780,925	-	-
Assets classified as held for sale	4(7)	45,983,520	-	-	-
Other current assets	4(8)	200,847,989	199,905,577	-	-
Total current assets		4,935,590,342	2,645,365,508	4,082,358,268	4,333,559,390
Non-current assets					
Long-term receivables	16(3)	-	-	1,200,000,000	2,003,645,000
Long-term equity investments	16(2)	-	-	4,795,987,652	4,790,440,632
Fixed assets	4(9)	11,540,769,697	11,457,972,991	22,182,246	26,073,848
Construction in progress	4(10)	1,417,624,618	1,362,096,377	-	-
Intangible assets	4(11)	1,047,222,407	1,032,458,977	1,742,109	1,393,454
Development expenditure	4(11)	61,365,537	66,927,714	-	-
Goodwill	4(12)	397,392,156	397,392,156	-	-
Long-term prepaid expenses		2,223,397	975,660	-	-
Deferred tax assets	4(13)	80,872,862	96,451,854	-	-
Other non-current assets	4(14)	51,941,352	87,174,393	2,132,041	-
Total non-current assets		14,599,412,026	14,501,450,122	6,022,044,048	6,821,552,934
TOTAL ASSETS		19,535,002,368	17,146,815,630	10,104,402,316	11,155,112,324

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated	31 December 2017 Company	31 December 2016 Company (Restated
Current liabilities					
Short-term borrowings	4(16)	3,704,630,909	4,017,869,662	2,600,000,000	3,495,163,044
Notes payable	4(17)	213,401,622	20,000,000	-	-
Accounts payable	4(18)	1,400,166,042	1,169,869,370	261,024	317,874
Advances from customers	4(19)	195,563,465	142,330,979	-	-
Employee benefits payable	4(20)	272,170,660	193,372,239	40,856,313	18,380,010
Taxes payable	4(21)	111,996,764	115,592,616	1,762,580	1,804,568
Interest payable	4(22)	34,032,740	78,225,904	3,090,735	3,794,646
Other payables	4(23) /16(4)	619,324,354	188,321,450	909,432,991	240,593,894
Current portion of non-current liabilities	4(24)	904,261,397	1,029,340,000	180,000,000	1,000,000,000
Other current liabilities		300,000	300,000	-	-
Total current liabilities		7,455,847,953	6,955,222,220	3,735,403,643	4,760,054,036
Non-current liabilities					
Long-term borrowings	4(25)	1,554,120,000	1,438,660,000	1,200,000,000	1,380,000,000
Bonds payable	4(26)	1,161,794,247	-	-	-
Deferred tax liabilities	4(13)	20,915,954	29,749,137	-	-
Deferred income	4(27)	562,701,103	593,993,254	186,526,280	183,035,040
Total non-current liabilities		3,299,531,304	2,062,402,391	1,386,526,280	1,563,035,040
Total liabilities		10,755,379,257	9,017,624,611	5,121,929,923	6,323,089,076
Shareholders' equity					
Share capital	4(28)	2,484,147,547	2,075,335,560	2,484,147,547	2,075,335,560
Capital surplus	4(29)	1,306,381,765	1,260,702,197	1,451,209,079	1,405,529,511
Less:Treasury shares	4(30)	(417,349,879)	-	(417,349,879)	-
Other comprehensive income	4(31)	1,948,943	4,653,971	-	-
Special reserve	4(32)	3,224,938	5,843,473	-	-
Surplus reserve	4(33)	920,592,332	888,508,230	935,137,692	903,053,590
Undistributed profits	4(34)	4,159,642,227	3,573,871,573	529,327,954	448,104,587
Total equity attributable to shareholders of parent company		8,458,587,873	7,808,915,004	4,982,472,393	4,832,023,248
Minority interests		321,035,238	320,276,015	-	-
Total shareholders' equity		8,779,623,111	8,129,191,019	4,982,472,393	4,832,023,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,535,002,368	17,146,815,630	10,104,402,316	11,155,112,324

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Revenue	4(35)	10,879,400,746	8,974,083,407	58,687,566	22,581,872
Less: Cost of sales	4(35)	(8,216,358,372)	(6,562,214,373)	-	(60,337)
Taxes and surcharges	4(36)	(124,523,926)	(103,159,546)	(4,942,397)	(92,575)
Selling and distribution expenses	4(37)	(336,131,723)	(301,815,090)	-	-
General and administrative expenses	4(38)	(919,329,772)	(766,589,059)	(117,294,601)	(122,708,284)
Financial expenses - net	4(39)	(315,961,080)	(265,820,569)	(42,124,252)	(20,405,532)
Asset impairment loss	4(41)	(69,399,755)	(58,862,764)	(80,219)	1,767,753
Add: Gain or loss from changes in fair value	4(42)	-	228,500,000	-	228,500,000
Investment income/(loss)	4(43) /16(5)	427,636	(279,187,752)	436,068,825	186,072,766
Income on disposal assets	4(44)	(1,768,993)	(1,759,358)	-	3,210
Other Income	4(45)	84,341,814	-	1,568,240	-
Operating profit		980,696,575	863,174,896	331,883,162	295,658,873
Add: Non-operating revenue	4(46)	20,763,042	98,078,639	40,000	1,574,277
Less: Non-operating expenses	4(47)	(5,152,591)	(5,144,916)	(3,426,562)	-
Total profit		996,307,026	956,108,619	328,496,600	297,233,150
Less: Income tax (expenses)/revenue	4(48)	(167,670,991)	(151,882,095)	(7,655,575)	45,854
Net profit		828,636,035	804,226,524	320,841,025	297,279,004
Classified by continuous operation:					
Net income from continuing operations ("-" for net loss)		828,636,035	804,226,524	320,841,025	297,279,004
Net income from discontinued operations ("-" for net loss)		-	-	-	-
Classified by equity ownership:					
Attributable to shareholders of parentcompany		825,388,312	797,721,576	-	-
Minority interests		3,247,723	6,504,948	-	-
Other comprehensive income net after tax		(2,705,028)	1,686,199	-	-
Other comprehensive income net after tax attributable to shareholders of parentcompany		(2,705,028)	1,686,199	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss		(2,705,028)	1,686,199	-	-
Differences on translation of foreign currency financial statements		(2,705,028)	1,686,199	-	-
Other comprehensive income net after tax attributable to minority interests		-	-	-	-
Total comprehensive income	4(31)	825,931,007	805,912,723	320,841,025	297,279,004
Total comprehensive income attributable to shareholders of parent company		822,683,284	799,407,775		
Total comprehensive income attributable to minority interests		3,247,723	6,504,948		
Earnings per share	4(49)				
Basic earnings per share (RMB Yuan)	4(49)	0.35	0.33		
Diluted earnings per share (RMB Yuan)	4(49)	0.35	0.33		

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		12,159,560,836	10,375,273,438	84,336,551	-
Refund of taxes and surcharges		24,706,337	69,632,529	-	-
Cash received relating to other operating activities	4(50)(a)	72,348,567	47,278,131	16,104,051	3,798,557
Sub-total of cash inflows		12,256,615,740	10,492,184,098	100,440,602	3,798,557
Cash paid for goods and services		(7,206,584,779)	(5,719,787,359)	(65,853)	-
Cash paid to and on behalf of employees		(1,204,981,471)	(1,198,976,110)	(61,388,549)	(125,316,231)
Payments of taxes and surcharges		(795,627,245)	(780,678,441)	(17,355,536)	(39,189,451)
Cash paid relating to other operating activities	4(50)(b)	(585,976,089)	(551,890,068)	(26,421,920)	(13,035,783)
Sub-total of cash outflows		(9,793,169,584)	(8,251,331,978)	(105,231,858)	(177,541,465)
Net cash flows from/(used in) operating activities		2,463,446,156	2,240,852,120	(4,791,256)	(173,742,908)
2. Cash flows from investing activities					
Cash received from returns on investments		-	-	436,068,825	395,236,932
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,370,785	8,426,349	-	3,210
Cash received relating to other investing activities	4(50)(c)	187,756,255	364,515,307	5,966,582	736,648,232
Sub-total of cash inflows		192,127,040	372,941,656	442,035,407	1,131,888,374
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,212,172,338)	(1,289,115,730)	(3,996,610)	(807,521)
Cash paid to acquire investments		-	(4,252,960)	-	(158,896,160)
Net cash received from acquired subsidiaries		-	(503,593,518)	-	(502,204,796)
Cash paid relating to other investing activities	4(50)(d)	(200,085,036)	(182,205,113)	(284,975)	-
Sub-total of cash outflows		(1,412,257,374)	(1,979,167,321)	(4,281,585)	(661,908,477)
Net cash flows (used in)/from investing activities		(1,220,130,334)	(1,606,225,665)	437,753,822	469,979,897
3. Cash flows from financing activities					
Cash received from capital contributions		417,349,879	14,500,000	417,349,879	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	14,500,000	-	-
Cash received from borrowings		4,096,568,050	9,747,674,851	2,750,693,638	9,117,091,808
Cash received relating to other financing activities	4(50)(e)	3,616,000,000	-	2,700,067,157	-
Sub-total of cash inflows		8,129,917,929	9,762,174,851	5,868,110,674	9,117,091,808
Cash repayments of borrowings		(5,154,107,768)	(9,481,131,859)	(4,646,723,365)	(8,580,928,764)
Cash payments for interest expenses and distribution of dividends or profits		(558,404,559)	(907,404,419)	(275,981,816)	(871,890,165)
Including: Cash payments for dividends to minority shareholders of subsidiaries		(2,488,500)	-	-	-
Cash payments relating to other financing activities	4(50)(f)	(1,783,109,674)	-	-	(53,686,866)
Sub-total of cash outflows		(7,495,622,001)	(10,388,536,278)	(4,922,705,181)	(9,506,505,795)
Net cash flows (used in)/from financing activities		634,295,928	(626,361,427)	945,405,493	(389,413,987)

4. Effect of foreign exchange rate changes on cash		(2,425,575)	1,557,085	666,398	208,178
5. Net increase/(decrease) in cash and cash equivalents	4(51)(b)	1,875,186,175	9,822,113	1,379,034,457	(92,968,820)
Add: Cash and cash equivalents at beginning of year		584,566,990	574,744,877	301,637,933	394,606,753
6. Cash and cash equivalents at end of year	4(51)(c)	2,459,753,165	584,566,990	1,680,672,390	301,637,933

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 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		Attributable to shareholders of parentcompany								
Item		Share capital	Capital surplus	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
	Note	4(28)	4(29)	4(31)	4(32)	4(33)	4(34)			
Balance at 31 December 2015		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
Prior period accounting error correction		-	-	-	-	(342,000)	(3,078,000)	(3,420,000)		(3,420,000)
Balance at 1 January 2016(Restated)		2,075,335,560	1,261,391,272	2,967,772	15,437,498	858,780,330	3,428,478,565	7,642,390,997	3,080,480	7,645,471,477
Movements for the year ended 31 December 2016 (Restated)										
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 invest or reduce from shareholders		-	402,262	-	-	-	-	402,262	313,771,067	314,173,329
Minority shareholders invest capital		-	-	-	-	-	-	-	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		-	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	-	(1,172,480)	-	-	-	-	(1,172,480)	(3,080,480)	(4,252,960)
Balance at 31 December 2016	2,075,335,560	1,260,702,197	4,653,971	5,843,473	888,508,230	3,573,871,573	7,808,915,004	320,276,015	8,129,191,019

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2017
(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of parentcompany: Share capital	Capital surplus	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
	Note	4(28)	4(29)	4(30)	4(31)	4(32)	4(33)	4(34)			
Balance at 1 January 2017(Restated)		2,075,335,560	1,260,702,197	-	4,653,971	5,843,473	888,508,230	3,573,871,573	7,808,915,004	320,276,015	8,129,191,019
Movements for the year ended 31 December 2017											
Total comprehensive income											
Net profit		-	-	-	-	-	-	825,388,312	825,388,312	3,247,723	828,636,035
Other comprehensive income	4(31)	-	-	-	(2,705,028)	-	-	-	(2,705,028)	-	(2,705,028)
Total comprehensive income		-	-	-	(2,705,028)	-	-	825,388,312	822,683,284	3,247,723	825,931,007
Capital increase or decrease from shareholder		97,511,654	356,979,901	(417,349,879)	-	-	-	-	37,141,676	-	37,141,676
Share-based payments		97,511,654	328,032,920	(417,349,879)	-	-	-	-	8,194,695	-	8,194,695
Shareholders' Interest-free borrowing		-	28,946,981	-	-	-	-	-	28,946,981	-	28,946,981
Profit distribution		-	-	-	-	-	32,084,102	(239,617,658)	(207,533,556)	(2,488,500)	(210,022,056)
Appropriation to surplus reserve	4(33)	-	-	-	-	-	32,084,102	(32,084,102)	-	-	-
Distribution to the shareholders	4(34)	-	-	-	-	-	-	(207,533,556)	(207,533,556)	(2,488,500)	(210,022,056)
Special reserve		-	-	-	-	(2,618,535)	-	-	(2,618,535)	-	(2,618,535)
Special reserve appropriated	4(32)	-	-	-	-	7,831,127	-	-	7,831,127	-	7,831,127
Special reserve used	4(32)	-	-	-	-	(10,449,662)	-	-	(10,449,662)	-	(10,449,662)
Internal transfer of shareholders' equity		311,300,333	(311,300,333)	-	-	-	-	-	-	-	-
Capital reserve to share capital		311,300,333	(311,300,333)	-	-	-	-	-	-	-	-
		2,484,147,547	1,306,381,765	(417,349,879)	1,948,943	3,224,938	920,592,332	4,159,642,227	8,458,587,873	321,035,238	8,779,623,111

Balance at 31 December 2017	

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Attributable to shareholders of parent company					
	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2015	2,075,335,560	1,404,803,407	-	873,667,690	806,232,151	5,160,038,808
Prior period accounting error correction	-	-	-	(342,000)	(3,078,000)	(3,420,000)
Balance at 1 January 2016（Restated)	2,075,335,560	1,404,803,407	-	873,325,690	803,154,151	5,156,618,808
Movements for the year ended 31 December 2016						
Total comprehensive income						
Net profit	-	-	-	-	297,279,004	297,279,004
Other comprehensive income	-	-	-	-	-	-
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)
Balance at 31 December 2016 (Restated)	2,075,335,560	1,405,529,511	-	903,053,590	448,104,587	4,832,023,248
Balance at 1 January 2017(Restated)	2,075,335,560	1,405,529,511	-	903,053,590	448,104,587	4,832,023,248
Movements for the year ended 31 December 2017						
Total comprehensive income						
Net profit	-	-	-	-	320,841,025	320,841,025
Total comprehensive income	-	-	-	-	320,841,025	320,841,025
Capital increase or decrease from shareholder	97,511,654	356,979,901	(417,349,879)	-	-	37,141,676
Share-based payments	97,511,654	328,032,920	(417,349,879)	-	-	8,194,695
Shareholders' Interest-free borrowing	-	28,946,981	-	-	-	28,946,981
Profit distribution	-	-	-	32,084,102	(239,617,658)	(207,533,556)
Appropriation to surplus reserve	-	-	-	32,084,102	(32,084,102)	-
Distribution to the shareholders	-	-	-	-	(207,533,556)	(207,533,556)
Capital reserve to share capital	311,300,333	(311,300,333)	-	-	-	-
Balance at 31 December 2017	2,484,147,547	1,451,209,079	(417,349,879)	935,137,692	529,327,954	4,982,472,393

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

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

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 2017, the registered capital was RMB2,484,147,547, 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-grade 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 6(1).

The financial statements were authorised for issue by the Board of Directors on 20 April 2018.

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 Property,plant and equipmentand intangible assets (Note 2(13) and (16)), criteria for determining capitalised development expenditure (Note 2(16)), and timing for revenue recognition (Note 2(24)).

Please see Note 2(30) 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.

As at 31 December 2017, the Group current liabilities exceed current assets about RMB2.52 billion and committed capital expenditure of about RMB 0.15 billion (Note 11(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 2017, the net cash inflow from operation activities is approximately RMB2.463 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 2017, the Group had unutilised banking facilities of approximately RMB4.00 billion, among which long-term banking facilities were about RMB0.57billion. 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 RMB1.610 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

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

(1) Basis of preparation (Cont’d)

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) tatement of compliance with the *Accounting Standards for Business Enterprises*

The financial statements of the Company for the year ended 31 December 2017 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 2017 and their financial performance, cash flows and other information for the year then ended.

(3) ccounting year

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

(4) ecording currency

The recording currency is Renminbi (RMB).The economic environment of subsidiaries (China Southern Glass(Hong Kong) Limited, Hong Kong Southern Glass Trading co., Limited) determines their recording currency is Hongkong dollar. This report 's recording currency is Renminbi (RMB).

(5) usiness 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 book value. The difference between book value of the net assets obtained from the combination and book value 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 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.

(6) reparation 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.

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 transaction

(a) Foreign currency transaction

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

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

(8) Foreign currency transaction (Cont'd)

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.

(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 2017.

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.

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

(9) Financial instrument (Cont'd)

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.

(a) Financial assets

(iii) Impairment of financial assets

The Group assesses book values 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 Checkion 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

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

(9) Financial instrument (Cont’d)

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 book value 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.

(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 book value 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.

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 book values which is trade amount cut the write-off receivables and related tax expenses charged into the income statement.

(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.

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

(11) Inventories (Cont'd)

(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 book values 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..

(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 book values 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. Book value 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

Book value of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than book value (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 measured at cost at the acquisition date.

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. Book value 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.

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

(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) Book value of a fixed asset is reduced to the recoverable amount when the recoverable amount is below book value (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.

Book value of construction in progress is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (18)).

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

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.

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

Book value of intangible assets is reduced to the recoverable amount when the recoverable amount is below book value (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 of assets is the smallest group of assets that is able to generate independent cash inflows.

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, book value 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 book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from book values of other assets within the asset groups or groups of asset groups in proportion to book values 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.

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.

Book value 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) Share-based payments

Share-based payments are divided into equity-settled and cash-settled payments. The term "equity-settled share-based payment" refers to a transaction in which an enterprise grants shares or other equity instruments as a consideration in return for services.

Equity-settled share-based payment The Group‘s stock optionstock option plan is the equity-settled share-based payment in exchange of employees' services and is measured at the fair value of the equity instruments at grant date. The equity instruments are exercisable after services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal the number of actual vested equity instruments. The Group determines the fair value of stock optionstock options using option pricing model, which is Black-Scholes option pricing model (B-S model).

In the period at which performance conditions and term of service are met, the relevant cost and expenses of equity-settled payment should be recognized, and capital surplus is increased accordingly. Before the exercise date, the accruing amounts of equity-settled payments on balance sheet date reflect the part of expired waiting period and optimal estimation for the number of the Company final vested equity instruments.

If the non-market conditions and term of service are not met so that share-based payment fail to exercise, the costs and expenses on this portion should not be recognized. If the share-based payment agreement sets out the market conditions and term of non-vesting, as long as performance conditions and term of service are met, it is should be regard as exercisable right, no matter the market conditions and non-vesting conditions are meet or not.

If the terms of equity-settled payment are modified, at least the service is confirmed in accordance with the unmodified terms. In addition, the increase of the fair value of the authorized equity instruments, or the beneficial changes to the employees on the modification date, the increase of service are confirmed.

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

(23) Share-based payments (Cont'd)

If the equity-settled payment is cancelled, the cancellation date shall be deemed as an expedited exercise, and the unconfirmed amount shall be confirmed immediately. If the employee or other party is able to choose to meet the non-vesting conditions but not satisfied in the waiting period, equity-settled payment should be cancelled. But if a new equity instrument is granted, and the new equity instrument is confirm to replace the old equity instrument which is canceled in the authorization date of the new equity instrument, the new equity instrument should be disposed by using the same conditions and terms of the old equity instrument for modifications

(24) 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.

(25) 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.

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.

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

(25) Government grants (Cont'd)

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.The company use the same method of presentation for similar government grants.

The ordinary activitiy government grants should be counted into operating profits; the government grants which not belong ordinary activities should be counted inton non-operationg income.

(26) 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.

(27) Assets classified as 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 to terms that are traditionally and customary for sales; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group, and 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 book value. 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.

The discontinued operation profits on income statement presentation have included the profits and loss of operation and disposal.

(28) 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:

(28) Safety production costs

(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.

(29) 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.

(30) Critical accounting estimates and judgements

The Group continually Estimates 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 book values 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

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

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

(b) Deferred income tax (Cont'd)

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.

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 book value of fixed assets on balance sheet.

(e) Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, and future cash flow from each CGU or CGUs is forcasted and discounted with appropriate discount rate.

(31) Significant changes in accounting policies

In 2017, the Ministry of Finance released the "Accounting Standard for *Business Enterprises No. 42—Non-current Assets* or Disposal Groups Held for Sale and Discontinued Operations", revised "Accounting Standard for *Business Enterprises No. 16—Government Grants"* and the "Circular on Amendment to Formats of Financial Statements of General Industry" and its interpretation (Cai Kuai [2017] 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

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

(31) Significant changes in accounting policies (Cont'd)

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
The Company and its subsidiaries recorded the VAT return obtained and other government grants related to ordinary activities in 2017 in other income. The comparatives as at 31 December 2016 were not restated	N/A	N/A
The Company and its subsidiaries recorded the gains or losses on disposals of fixed assets occurred in 2017, in loss on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly		2016
	Income on disposal assets	(1,759,358)
	Non-operating income	1,551,302
	Non-operating expense	(3,310,660)

The Company's assets for sale in 2017 is presented separately. The comparative financial statement at 31 December 2016 is not presented	N/A	N/A

(32) Prior period accounting error correction

a. Matter descreption

During the preparation of the current financial statements, the company discovered that: On December 10, 2012, the People's Government of Yichang City and the Company signed the Cooperation Agreement on Fine Glass and Ultrathin Electronic Glass Project (hereinafter referred to as the "original agreement");Two supplemental agreements were formed based on the original agreement: On March 20, 2013, the People's Government of Yichang and the Company signed a supplementary agreement (I) 《Cooperation Agreement on Fine Glass and Ultra-thin Electronic Glass Projects》、 December 30, 2013 Yichang High and new technology development zone management committee and the company signed a supplementary agreement (II) 《Cooperative Agreement on Fine Glass and Ultrathin Electronic Glass Projects》. The main contents of the supplementary agreement (II) are as follows:

The management committee of Yichang High-tech Industrial Development Zone agreed to establish a RMB 171 million talent fund for the company's mid- to senior-level management、 engineering and technical personnel and senior professional mechanics who be introduced to Yichang, as a special fund subsidy for the introduction of talents and the placement of talented people. The company is responsible for formulating the housing resettlement subsidy program and supervising the use of this special fund.

According to the agreement, the company entrusted the wholly-owned subsidiary Yichang CSG Silicon Material Co., Ltd. to collect the fund, and the management committee of Yichang High-tech Industrial Development Zone fully allocated to Yichang CSG Silicon Material Co., Ltd.

The funds were subsidized by the government to the company, but Yichang CSG Silicon Material Co., Ltd. received this amount and transferred it to Yichang Hongtai Real Estate Co., Ltd. in full amount without proper approval from the company's board of directors and other relevant authorities. (Yichang Hongtai Real Estate Co., Ltd. is a company jointly indirect controlled by part of the former natural executives of the company. The company has no equity relationship with the company. For details of the company, see Note 8(4)).

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

(32) Prior period accounting error correction (Cont'd)

b. Accounting treatment

Yichang CSG Silicon Material Co., Ltd. received the above fund from February 21, 2014 to April 28, 2014, and transferred it to Yichang Hongtai Real Estate Co., Ltd. in full and also handled the accounting treatment according to the collecting and paying. The Company did not conduct any accounting treatment and report disclosure in consolidated Statements.

According to the relevant provisions of the "Accounting Standards for Business Enterprises - Government Subsidies", the company believes that the special funds in the above agreement constitute a government subsidy, and the government subsidy related to income should be confirmed in the financial statements of the corresponding accounting period, recognition of expense at the same time carring forward the profits and loss of the current.Therefore, the company in the current period Items were corrected for accounting errors.

c. Impact on the financial statements

The Group and the Company made retrospective adjustments to the above accounting errors. In the consolidated balance sheet, other receivables were increased by RMB171,000,000 as of December 31, 2016 (January 1, 2016: RMB171,000,000). December 2016 On the 31st, other receivables - bad debt provisions were increased by 3,420,000 yuan (January 1, 2016: RMB3,420,000), and deferred income was increased by 171 million yuan (December 1, 2016: RMB171 million) on December 31, 2016. As of December 31, 2016, the surplus reserve was reduced by RMB342,000 (January 1, 2016: RMB 342,000). As of December 31, 2016, the undistributed profit was reduced by RMB 3,078,000 (January 1, 2016: RMB 3,078,000).

In the company's balance sheet, other receivables were increased by RMB171,000,000 (December 1, 2016:

RMB171,000,000) as of December 31, 2016, and other receivables – provision for bad debts increased by RMB3,420,000 (December 31, 2016) (January 1, 2016: RMB3,420,000), 20 yuan December 31, 2016 deferred income increased by RMB171,000,000 (January 1, 2016: RMB171,000,000), December 31, 2016 surplus reserve decreased by RMB342,000 (January 1, 2016: RMB342,000), Undistributed profits decreased by RMB3,078,000 (December 1, 2016: RMB 3,078,000) as of December 31, 2016.

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") (a)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	6% to 17%
City maintenance and construction tax	VAT paid	1% to 7%
Educational surcharge	VAT paid	3% to 5%
Resource tax	Silica sold Sales	6.5%

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

3 Taxation (Cont'd)

(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 2017 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 2017.

Dongguan CSG Solar Glass Co., Ltd. ("Dongguan CSG Solar") passed review on a high and new tech enterprise in 2017 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 2017.

Yichang CSG Silicon Co., Ltd. ("Yichang CSG Silicon") passed review on a high and new tech enterprise in 2017 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 2017.

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 2017, 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 2017.

Xianning CSG Glass Co Ltd. ("Xianning CSG") was recognised as a high and new tech enterprise in 2017, 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 2017.

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.

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.

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"), Zhangzhou CSG Kibing PV Energy Co., Ltd. ("Zhangzhou CSG"), Heyuan CSG Kibing PV Energy Co., Ltd. ("Heyuan CSG"), Shaoxing CSG Kibing PV Energy Co., Ltd. ("Shaoxing CSG") 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, Zhangzhou CSG, Heyuan CSG and Shaoxing CSG started operation in 2017. 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.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	36,182	17,239
Cash at bank	2,409,716,983	584,549,751
Other cash balances	52,852,599	2,236,515
	2,462,605,764	586,803,505
Including: Total overseas deposits	24,049,075	12,956,226

Other cash balances include margin deposits for issuing letters of credit and applying loans, amounting to RMB2,852,599 (31 December 2016: RMB2,236,515), which is restricted cash.

(2) Notes receivable

	31 December 2017	31 December 2016
Trade acceptance notes	329,405,579	317,789,825
Bank acceptance notes	222,826,841	138,557,412
	552,232,420	456,347,237

(a) As at 31 December 2017, 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	-	179,023,725
Bank acceptance notes	3,154,733,678	-
	3,154,733,678	179,023,725

(3) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	660,150,357	644,454,374
Less: Provision for bad debts	(21,912,067)	(16,468,391)
	638,238,290	627,985,983

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

(3) Accounts receivable (Cont'd)

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	639,294,320	628,822,515
1 to 2 years	8,343,672	15,585,397
2 to 3 years	12,512,365	-
Over 3 years	-	46,462
	660,150,357	644,454,374

As at 31 December 2017, accounts receivable of RMB93,961,486 (31 December 2016: RMB50,609,529) 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 2017	31 December 2016
Within 1 year	86,358,511	47,568,459
1 to 2 years	7,448,217	3,041,070
2 to 3 years	154,758	
	93,961,486	50,609,529

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

	31 December 2017				31 December 2016			
	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	636,614,136	96%	(12,233,039)	2%	631,863,585	98%	(12,187,534)	2%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	23,536,221	4%	(9,679,028)	41%	12,590,789	2%	(4,280,857)	34%
	660,150,357	100%	(21,912,067)	3%	644,454,374	100%	(16,468,391)	3%

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

(3) Accounts receivable (Cont'd)

(c) Provision for bad debts provided on grouping basis using the percentage of provision method is analysed as follows:

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	636,614,136	(12,233,039)	2%	631,863,585	(12,187,534)	2%
	636,614,136	(12,233,039)	2%	631,863,585	(12,187,534)	2%

(d) As at 31 December 2017, 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 2016: Nil).

(e) As at 31 December 2017, accounts receivable of RMB23,536,221 (31 December 2016: RMB12,590,789) 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.

(f) Accounts receivables of RMB117,931 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.

(g) As at 31 December 2017, 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	104,847,077	(2,096,942)	16%

(4) Advances to suppliers

(a) The ageing of prepayment is analysed below:

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	130,813,397	91%	80,819,387	84%
1 to 2 years	264,952	-	14,913,745	16%
2 to 3 years	12,769,674	9%	-	-
	143,848,023	100%	95,733,132	100%

As at 31 December 2017, advances to suppliers over 1 year with a carrying amount of RMB13,034,626 (31 December 2016: RMB14,913,745) were mainly advances paid for materials, which were not fully settled since the materials had not been received.

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

(4) Advances to suppliers (Cont'd)

(b) As at 31 December 2017, the five largest prepayment are analysed as follows:

	Balance	Percentage in total advances to suppliers balance
Total balances for the five largest advances to suppliers	53,034,242	37%

(5) Other receivables

	31 December 2017	31 December 2016
Receivables from related parties (Note 8(5))	171,000,000	171,000,000
Refundable deposits	16,957,562	6,121,403
Payments made on behalf of other parties	19,306,658	25,019,422
Petty cash	875,714	959,785
Export tax rebates receivable	-	755,372
Others	2,319,489	1,047,235
	210,459,423	204,903,217
Less: Provision for bad debts	(4,520,404)	(4,094,068)
	205,939,019	200,809,149

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

	31 December 2017	31 December 2016
Within 1 year	22,924,535	19,918,108
1 to 2 years	2,813,012	11,275,420
2 to 3 years	11,211,511	171,903,685
3 to 4 years	171,855,888	123,670
4 to 5 years	86,395	1,156,315
Over 5 years	1,568,082	526,019
	210,459,423	204,903,217

As at 31 December 2017, other receivables of RMB2,510,365 (31 December 2016: RMB1,806,004) 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.

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 2017				31 December 2016			
	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	39,136,518	19%	(777,499)	2%	33,903,217	17%	(674,068)	2%
Portfolio 2	171,000,000	81%	(3,420,000)	2%	171,000,000	83%	(3,420,000)	2%
Not individually significant but provided for bad debts separately	322,905	-	(322,905)	100%				
	210,459,423	100%	(4,520,404)	2%	204,903,217	100%	(4,094,068)	2%

(c) The reason why not individually significant but provided for bad debts separately is the payment is not recoverable over 5 years.

(d) The other receivables actually written off during the year amounted to RMB199,796, which was due to small receivables and non-related transactions. The reasons for write-off include business disputes or failure to contact the debtor and result in uncollectible payments.

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

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	39,136,518	(777,499)	2%	33,903,217	(674,068)	2%
Portfolio 2	171,000,000	(3,420,000)	2%	171,000,000	(3,420,000)	2%
	210,136,518	(4,197,499)	2%	204,903,217	(4,094,068)	2%

(f) As at 31 December 2017, 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
Company A	Independent third party	171,000,000	3 to 4 Years	81%	3,420,000
Governmental departmentB	Independent third party	11,067,754	2 to3 Years	5%	221,355
Company C	Independent third party	5,000,000	Within 1 year	2%	100,000
Company D	Independent third party	3,717,415	Within 1 year	2%	74,348
Company E	Independent third party	3,350,000	Within 1 year	2%	67,000
		194,135,169		92%	3,882,703

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

(6) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2017			31 December 2016		
	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	213,348,012	(1,447,590)	211,900,422	166,639,254	(2,025,446)	164,613,808
Work in progress	45,614,905	-	45,614,905	18,893,651	-	18,893,651
Finished goods	387,489,714	(68,974)	387,420,740	274,559,889	(6,347,741)	268,212,148
Turnover materials	40,959,250	-	40,959,250	26,061,318	-	26,061,318
	687,411,881	(1,516,564)	685,895,317	486,154,112	(8,373,187)	477,780,925

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

	31 December 2016	Increase in current year	Reversal in current year	31 December 2017
Finished goods	6,347,741	68,974	(6,347,741)	68,974
Raw materials	2,025,446	-	(577,856)	1,447,590
	8,373,187	68,974	(6,925,597)	1,516,564

(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

(7) Assets classified as held for sale

Item	carrying amounts at the end of period	Fair value	Estimated disposal costs	Estimated disposal time
Intangible assets	15,048,314	18,390,394		June of 2018
Construction in progress	30,935,206	37,805,606		June of 2018
	45,983,520	56,196,000	-	

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 2017, the transfer of propery rights had not been finalised.

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

(8) Other current assets

	31 December 2017	31 December 2016
VAT to be offset	181,667,326	150,317,894
Assets classified as held for sale	-	40,049,163
Enterprise income tax prepaid	1,132,508	1,325,723
VAT input to be recognised	18,048,155	8,212,797
	200,847,989	199,905,577

(9) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Total
Cost				
31 December 2016	3,911,336,527	11,699,296,248	201,923,067	15,812,555,842
Increase in current year				
Acquisition	4,924,460	18,947,748	7,467,964	31,340,172
Transfers from construction in progress (Note 4(10))	94,982,205	1,338,373,278	5,515,375	1,438,870,858
Adjustment of completion settlement	738,830	19,721,695	238,675	20,699,200
Decrease in current year				
Disposal or retirement	(8,917,927)	(52,049,454)	(6,203,870)	(67,171,251)
Transfer to construction in progress	(3,695,395)	(561,466,255)	(648,454)	(565,810,104)
31 December 2017	3,999,368,700	12,462,823,260	208,292,757	16,670,484,717
Accumulated depreciation				
31 December 2016	629,946,237	3,287,606,208	172,265,020	4,089,817,465
Increase in current year				
Provision	124,679,206	833,507,101	22,395,614	980,581,921
Decrease in current year				
Disposal or retirement	(1,211,382)	(13,892,180)	(5,723,521)	(20,827,083)
Transfer to construction in progress	(1,895,250)	(198,327,057)	(387,830)	(200,610,137)
31 December 2017	751,518,811	3,908,894,072	188,549,283	4,848,962,166
Provision for impairment loss				
31 December 2016	-	264,765,386	-	264,765,386
Provision	10,580,861	25,679,443		36,260,304

Disposal or retirement		(20,272,836)		(20,272,836)
31 December 2017	10,580,861	270,171,993		280,752,854
Carrying amount				
31 December 2017	3,237,269,028	8,283,757,195	19,743,474	11,540,769,697
31 December 2016	3,281,390,290	8,146,924,654	29,658,047	11,457,972,991

In 2017, the depreciation amount provided for fixed assets was RMB980,581,921 (2016: RMB891,257,741), and the amount of depreciation expenses charged to cost of sales, selling and distribution expenses, general and administrative expenses and construction in progress was RMB890,575,701, RMB 970,739 , RMB 65,929,139 and RMB 23,106,342 (2016：RMB 819,298,731, RMB 979,874, RMB 59,067,087 and RMB 11,912,049) respectively.

In 2017, the cost of fixed assets transferred from construction in progress amounted to RMB 1,438,870,858 (2016: RMB1,281,171,543).

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

Fixed assets (Cont'd)

(a) Fixed assets with pending certificates of ownership

	Carrying amount	Reasons for not yet obtaining certificates of title
Buildings	893,119,983	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 2017			31 December 2016		
	Carrying amount	Provision for impairment loss	Carrying amount	Carrying amount	Provision for impairment loss	Carrying amount
Xianning CSG Photoelectric Glass project	400,665,493	-	400,665,493	41,267,876	-	41,267,876
Yichang display device company flat panel display project	298,794,622	(14,160,474)	284,634,148	274,342,571	(14,160,474)	260,182,097
Yichang Optoelectronic Technology Reform Project	242,055,237	-	242,055,237	-	-	-
Hebei float 600T tech-innovation project	113,762,853	-	113,762,853	-	-	-
Zhanjiang Photovoltaic 20MV Step-by-step Photovoltaic Power Plant Project	100,570,104	-	100,570,104	8,855,560	-	8,855,560
Dongguan Solar Glass Phase I and II improvement project	78,970,995	(40,248,018)	38,722,977	78,970,995	(33,075,116)	45,895,879
Wujiang energy glass expansion project	72,600,518	(19,876,460)	52,724,058	70,178,986	(19,876,460)	50,302,526
Yichang 1GW silicon slice project	43,617,802	-	43,617,802	95,011,027	-	95,011,027
LED Sapphire Substrate Project	30,886,629	(19,303,853)	11,582,776	29,472,040	-	29,472,040
Wujiang Photovoltaic Packaging Materials Project	7,414,854	-	7,414,854	1,583,553	-	1,583,553
Yichang 5000T electronic-grade polysilicon project	943,396	-	943,396	171,211,288	-	171,211,288
Heyuan Kibing PV tech 11MV distributed generation project	2,267,345	-	2,267,345	85,126,446	-	85,126,446
Dongguan PV Tech 200MW PV-tech Battery Expansion project	1,179,935	-	1,179,935	8,224,072	-	8,224,072
Hebei float 900T tech-innovation project	-	-	-	388,627,081	-	388,627,081
Chengdu float 550T line tech-renovation	-	-	-	102,304,740	-	102,304,740
Qingyuan high-performance ultrathin electronic glass project	-	-	-	1,034,372	-	1,034,372

Sichuan energy-saving project Phase III	-	-	-	13,005,928	-	13,005,928
Others	117,889,623	(405,983)	117,483,640	59,991,892	-	59,991,892
	1,511,619,406	(93,994,788)	1,417,624,618	1,429,208,427	(67,112,050)	1,362,096,377

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 2016	Increase in current year	Transfer to fixed assets in current year	Other decreases in current year	31 December 2017	Proportion between engineering input and budget (i)	Amount of borrowing costs capitalised in 2017	Including: Amount of borrowing costs capitalised in 2017	Capitalisation rate for in current year	Source of fund
Xianning CSG Photoelectric Glass project	510,000,000	41,267,876	371,315,353	(11,692,808)	(224,928)	400,665,493	81%	7,770,613	7,770,613	4.75%	Internal fund and bank loan
Yichang CSG flat panel display project	1,970,000,000	274,342,571	68,678,108	(44,226,057)	-	298,794,622	81%	4,144,159	3,146,516	4.20%	Internal fund and bank loan
Yichang Optoelectronic Technology Reform Project	258,296,536	-	242,055,237	-	-	242,055,237	60%	-	-	-	Internal fund and bank loan
Hebei float 600T tech-innovation project	129,180,000	-	121,809,135	(284,860)	(7,761,422)	113,762,853	1%	-	-	-	Internal fund
Zhanjiang Photovoltaic 20MV Step-by-step Photovoltaic Power Plant Project	133,000,000	8,855,560	91,714,544	-	-	100,570,104	96%	2,280,097	2,280,097	5.74%	Internal fund and bank loan
Dongguan Solar Glass Phase I and II improvement project	396,410,000	78,970,995	-	-	-	78,970,995	80%	-	-	-	Internal fund
Wujiang energy glass expansion project	845,630,000	70,178,986	3,279,395	(676,165)	(181,698)	72,600,518	99%	20,120,444	-	-	Internal fund
Yichang 1GW silicon slice project	1,073,209,600	95,011,027	361,731,413	(413,124,638)	-	43,617,802	36%	8,629,993	8,083,768	4.79%	Internal fund and bank loan
LED Sapphire Substrate Project	35,000,000	29,472,040	2,696,640	(1,282,051)	-	30,886,629	88%	4,650,543	899,966	4.78%	Internal fund and bank loan
Wujiang Photovoltaic Packaging Materials Project	520,100,000	1,583,553	7,288,394	(1,457,093)	-	7,414,854	87%	-	-	-	Internal fund and bank loan
Yichang 5000T electronic-grade	698,396,700	171,211,288	45,733,419	(216,001,311)	-	943,396	26%	8,453,998	5,244,463	4.44%	Internal fund and

polysilicon project											bank loan
Heyuan Kibing PV tech 11MV distributed generation project	91,600,000	85,126,446	3,577,331	(77,641,121)	(8,795,311)	2,267,345	93%	325,704	325,704	5.00%	Internal fund
Dongguan PV Tech 200MW PV-tech Battery Expansion project	697,000,000	8,224,072	49,163,936	(56,208,073)	-	1,179,935	100%	32,417,335	401,535	4.80%	Internal fund and bank loan
Hebei float 900T tech-innovation project	124,000,000	388,627,081	3,816,268	(392,210,090)	(233,259)	-	100%	4,211,893	1,057,593	4.94%	Internal fund and bank loan
Chengdu float 550T line tech-renovation	200,000,000	102,304,740	57,840,038	(160,144,778)	-	-	100%	306,663	306,663	4.60%	Internal fund and bank loan
Qingyuan high-performance ultrathin electronic glass project	471,660,000	1,034,372	-	-	(1,034,372)	-	100%	-	-	-	Internal fund and bank loan
Sichuan energy-saving project Phase III	222,817,517	13,005,928	-	(10,119,658)	(2,886,270)	-	100%	-	-	-	Internal fund
Others	2,657,421,716	59,991,892	111,879,886	(53,802,155)	(180,000)	117,889,623		339,257	339,257	4.15%	Internal fund and bank loan
	11,033,722,069	1,429,208,427	1,542,579,097	(1,438,870,858)	(21,297,260)	1,511,619,406		93,650,699	29,856,175		

(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 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

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

(10) Construction in progress (Cont'd)

(b) Provision for impairment of construction in progress

Project name	31 December 2016	Increase in current year	Decrease in current year	31 December 2017	Reason for provision
Dongguan Solar Glass Phase I and II improvement project	33,075,116	7,172,902	-	40,248,018	-
Wujiang float glass project	19,876,460	-	-	19,876,460	-
Yichang CSG Display panel display project	14,160,474	-	-	14,160,474	-
LED Sapphire Substrate Project	-	19,303,853	-	19,303,853	-
Others	-	405,983	-	405,983	-
	67,112,050	26,882,738	-	93,994,788	-

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 2016	1,026,603,700	199,922,986	4,456,536	23,548,047	1,254,531,269
Acquisition in current year	-	2,966,502	-	12,558,663	15,525,165
Transfers from development expenditure in current year	-	43,122,431	-	-	43,122,431
31 December 2017	1,026,603,700	246,011,919	4,456,536	36,106,710	1,313,178,865
Accumulated amortisation					
31 December 2016	128,007,677	57,225,743	3,306,083	20,322,309	208,861,812
Provision in current year	21,049,588	17,759,493	400,641	4,674,444	43,884,166
31 December 2017	149,057,265	74,985,236	3,706,724	24,996,753	252,745,978
Provision for impairment loss					
31 December 2016	-	13,201,347	-	9,133	13,210,480
31 December 2017	-	13,201,347	-	9,133	13,210,480
Carrying amount					
31 December 2017	877,546,435	157,825,336	749,812	11,100,824	1,047,222,407
31 December 2016	898,596,023	129,495,896	1,150,453	3,216,605	1,032,458,977

In 2017, the amortisation of intangible assets amounted to RMB43,884,166 (2016: RMB36,907,548).

As at 31 December 2017, ownership certificates of land use rights ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB5,473,442 (cost: RMB6,586,712) had not yet been obtained by the Group (31 December 2016: carrying amount: RMB5,718,191, cost: RMB 6,586,712). 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.

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

(11) Intangible assets and development expenditure (Cont'd)

Research expenditure is analysed below:

	31 December 2016	Increase in current year	Decrease in current year		31 December 2017
			Recognised as expense	Recognised as intangible assets	
Development costs	66,927,714	37,560,254		(43,122,431)	61,365,537

In 2017, the total amount of research and development expenditures of the Group was RMB 368,237,629 (2016: RMB 341,553,966), including RMB 330,677,375 (2016: RMB 285,129,442) recorded in income statement for current period and the research and development expenditure with the amount of RMB 43,122,431 recognised as intangible assets for the current period (2016: 23,213,785). As at 31 December 2017, the intangible assets arising from internal research and development accounted for 12.37 % of total of intangible assets (31 December 2016: 9.51 %).

(12) Goodwill

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
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
	397,392,156			397,392,156

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.

Combining with the prediction of the future business and independent third party appraisal institution,the Company's management considered that the goodwill was not impaired as at 31 December 2017.

The recoverable amount of asset groups is determinded 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 forcasted 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.

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

(13) Deferred tax assets and liabilities

(a) Deferred tax assets before offsetting

	31 December 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairments	361,149,562	55,552,592	410,272,182	61,899,046
Tax losses	133,658,792	24,457,319	164,790,392	28,883,903
Government grants	128,189,967	20,424,022	129,722,993	20,654,199
Accrued expenses	50,193,405	7,529,011	81,018,069	12,352,386
Depreciation of fixed assets	33,762,174	8,000,331	28,241,461	6,320,146
Share payment	5,196,945	867,677	-	-
	712,150,845	116,830,952	814,045,097	130,109,680

	31 December 2017	31 December 2016
Including:		
Expected to be reversed within one year (inclusive)	33,751,219	33,957,444
Expected to be reversed after one year	83,079,733	96,152,236
	116,830,952	130,109,680

(b) Deferred tax liabilities before offsetting

	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	371,115,284	56,874,044	396,118,583	63,406,963

	31 December 2017	31 December 2016
Including:		
Expected to be reversed within one year (inclusive)	4,247,230	3,342,336
Expected to be reversed after one year	52,626,814	60,064,627
	56,874,044	63,406,963

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 2017	31 December 2016
Deductible losses	425,759,321	342,455,782

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 2017	31 December 2016
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	111,625,585
2022	83,303,539	-
	425,759,321	342,455,782

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

	31 December 2017		31 December 2016	
	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	80,872,862	472,134,707	96,451,854	565,834,538
Deferred tax liabilities	20,915,954	131,099,146	29,749,137	147,908,024

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

(14) Other non-current assets

	31 December 2017	31 December 2016
Prepayment for equipment and software upgrading expenses	45,431,352	69,945,550
VAT input to be offset	-	10,718,843
Prepayment for lease of land use rights	6,510,000	6,510,000
	51,941,352	87,174,393

(15) Provision for asset impairment

	31 December 2016	Increase in current year	Reversal in current year	Written off in current year	31 December 2017
Provision for bad debts	20,562,459	9,498,129	(3,310,390)	(317,727)	26,432,471
Including: Provision for bad debts of accounts receivable	16,468,391	8,845,491	(3,283,884)	(117,931)	21,912,067
Provision for bad debts of other receivables	4,094,068	652,638	(26,506)	(199,796)	4,520,404
Provision for decline in the value of inventories	8,373,187	68,974		(6,925,597)	1,516,564
Provision for impairment of fixed assets	264,765,386	36,260,304		(20,272,836)	280,752,854
Provision for impairment of construction in progress	67,112,050	26,882,738		-	93,994,788
Provision for impairment of intangible assets	13,210,480	-	-	-	13,210,480
	374,023,562	72,710,145	(3,310,390)	(27,516,160)	415,907,157

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

(16) Short-term borrowings

	31 December 2017	31 December 2016
Ultra-short-term financial bonds (i)	-	2,000,000,000
Unsecured	2,691,732,609	1,650,251,293
Guaranteed (ii)	1,012,898,300	367,618,369
	3,704,630,909	4,017,869,662

(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 2 Augest 2016, the Company issued the Phase III ultra-short-term financial bonds of RMB600,000,000 for 2016, with the maturity data of May 1 2017 and annual rate of 3.67%. As at the reporting date, such Ultra-short-term bonds had been repaid.

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 3.5%. As at the reporting date, such ultra-short-term bonds had been repaid.

(ii) As at 31 December 2017, the Company provided its subsidiaries with guarantee for the short-term borrowings of RMB1,012,898,300 (31 December 2016: RMB367,618,369), and the Company had no counter guarantee from minority shareholders of subsidiaries (31 December 2016: Nil).

(iii) As at 31 December 2017, the interest of short-term borrowings varied from 2.70% to 5.66% (31 December 2016: 2.70% to 4.79%).

(17) Notes payable

	31 December 2017	31 December 2016
Bank acceptance notes	213,401,622	20,000,000

All notes payable are due within one year.

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

(18) Accounts payable

	31 December 2017	31 December 2016
Materials payable	798,178,206	747,769,987
Equipment payable	329,926,045	233,779,329
Construction expenses payable	167,394,038	100,246,462
Freight payable	61,671,023	40,916,380
Utilities payable	35,973,405	44,602,055
Others	7,023,325	2,555,157
	1,400,166,042	1,169,869,370

As at 31 December 2017, the amount of accounts payable over 1 year was approximately RMB160,638,075 (31 December 2016: RMB140,385,720), 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.

(19) Advances from customers

	31 December 2017	31 December 2016
Advances for goods from customers	195,563,465	142,330,979

The ageing of balances was substantively within 1 year.

(20) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable (a)	272,144,440	193,166,719
Defined contribution plans payable (b)	26,220	205,520
	272,170,660	193,372,239

(a) Short-term employee benefits

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	159,601,219	1,083,193,468	(1,067,309,072)	175,485,615
Social security contributions	50,331	40,182,933	(40,219,512)	13,752
Including: Medical insurance	31,340	33,865,801	(33,884,783)	12,358
Work injury insurance	12,677	4,356,310	(4,368,003)	984
Maternity insurance	6,314	1,960,822	(1,966,726)	410
Housing funds	2,603,791	49,264,799	(49,110,219)	2,758,371

Labour union funds and employee education funds	15,571,378	14,607,578	(14,898,254)	15,280,702
Management bonus (i)	15,340,000	79,735,128	(16,469,128)	78,606,000
Share-based payments	-	8,194,695	(8,194,695)	-
	193,166,719	1,275,178,601	(1,196,200,880)	272,144,440

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

(20) Employee benefits payable (Cont'd)

Pursuant to the resolution at the 7th session in the 5th 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 RMB79,735,128 (2016: RMB82,470,000) were accrued and charged to profit or loss.

Pursuant to the resolution at the 7th session in the temporary conference of the board of directors of the Company on 11 December 2017, to implemented equity incentive plans of restricted stock for the Company directors and senior management, core management team, backbones of technology and busines. The company first awarded 97,511,654 restricted shares to 454 incentive objects for the first time at RMB4.28 per share. The total fair value of the equity instruments granted to the incentive object by the company for the first time is RMB289,519,900. The total value of such fair value as the total cost of the company's equity incentive plan will be confirmed in stages according to the ratio of unlocking/exercising in the implementation of the equity incentive plan, and it is included in the cost in the term of "management fees" and "capital reserves - other capital reserves". The Company unlock the conditions of restricted share in 2017, and the cost associated with equity incentive plan is confirmed at RMB8,194,695 in this phase.

(b) Defined contribution plans

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Basic pensions	192,780	109,332,705	(109,500,097)	25,388
Unemployment insurance	12,740	3,866,282	(3,878,190)	832
	205,520	113,198,987	(113,378,287)	26,220

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

(21) Taxes payable

	31 December 2017	31 December 2016
VAT payable	35,100,800	46,726,185
Enterprise income tax payable	48,496,225	41,919,187
Housing property tax payable	8,617,044	10,998,756
Individual income tax payable	5,177,080	3,755,374
City maintenance and construction tax payable	4,261,902	3,482,715
Educational surcharge payable	3,348,566	3,351,165
Others	6,995,147	5,359,234
	111,996,764	115,592,616

(22) Interest payable

	31 December 2017	31 December 2016
Interest of ultra-short-term financial bonds	-	38,040,006
Interest payable for medium term notes	27,622,465	27,621,021
Interest for corporate bonds	-	10,660,000
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	938,950	514,750
Interest payable for short-term borrowings	5,471,325	1,390,127
	34,032,740	78,225,904

(23) Other payables

	31 December 2017	31 December 2016
Guarantee deposits received from construction contractors	49,624,256	69,156,801
Accrued cost of sales (i)	58,584,562	47,671,047
Temporary collection of payment for land transfer	56,196,000	28,098,000
Payable for contracted labour costs	17,568,695	17,467,346
Temporary receipts	7,964,070	14,022,924
Deposit for disabled	5,230,110	3,509,947
Restricted share repurchase obligation	417,349,879	-
Others	6,806,782	8,395,385
	619,324,354	188,321,450

(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.
(ii) In the year ending 31 December 2017, the unlock conditions of first granted restricted stock was not met. The Company will confirm the actual amount of restricted stock subscription RMB417,349,879 as the corresponding expected liability, and confirm the corresponding amount of stock shares.

The ageing of other payables was substantively within 1 year.

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

(24) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of long-term borrowings		
- Guaranteed	14,880,000	29,340,000
- Unsecured	180,000,000	-
Current portion of corporate bonds	-	1,000,000,000
Current portion of finance lease	709,381,397	-
	904,261,397	1,029,340,000

(25) Long-term borrowings

	31 December 2017	31 December 2016
Medium term notes (i)	1,200,000,000	1,200,000,000
Unsecured	-	180,000,000
Guaranteed	354,120,000	58,660,000
	1,554,120,000	1,438,660,000

(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 data of 14 July 2020 and annual rate of 4.94%.

As at 31 December 2017, the interest of long-term borrowings varied from 4.75% to 5.94% (31 December 2015: 4.51% to 4.94%).

(26) Long-term account payable

	31 December 2017	31 December 2016
Finance lease	1,161,794,247	-

TheSale and leaseback lease of the group in this phase is a mortgage loan with a lease term of 36 months. On December 31, 2017, the real interest rate of financing lease loans is 4.49%-7.8%.

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

(27) Deferred income

	31 December 2017	31 December 2016
Government grants	562,701,103	593,993,254

Government grants are analysed as follows:

Government grants	31 December 2016	Increase in current year	Other decrease in current year	Non-operating income in current year	31 December 2017	Assets/Income related
Tianjin CSG Golden Sun Project (i)	57,092,011	-	--	(3,374,892)	53,717,119	Assets related
Dongguan CSG Golden Sun Project (ii)	46,079,250	-	--	(2,751,000)	43,328,250	Assets related
Hebei CSG Golden Sun Project (iii)	46,750,000	-	--	(2,750,000)	44,000,000	Assets related
Xianning CSG Golden Sun Project (iv)	51,013,417	-	--	(3,030,500)	47,982,917	Assets related
Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v)	43,670,435	-	--	(4,041,537)	39,628,898	Assets related
Qingyuan Energy-saving project (vi)	23,259,167	-	--	(2,470,000)	20,789,167	Assets related
Yichang Silicon products project (vii)	24,609,375	-	--	(2,812,500)	21,796,875	Assets related
Yichang CSG silicon slice auxiliary project (viii)	13,890,609	-	--	(1,227,733)	12,662,876	Assets related
Sichuan energy-saving glass project (ix)	12,129,480	-	--	(1,654,020)	10,475,460	Assets related
Group coating film experimental project (x)	9,035,040	-	--	(1,508,760)	7,526,280	Assets related
Yichang expert silicon project (xi)	3,906,547	-	--	(306,664)	3,599,883	Assets related
Yichang semiconductor silicon project (xii)	3,666,667	-	--	(266,667)	3,400,000	Assets related
Yichang CSG Display project (xiii)	53,371,082	-	--	(2,534,478)	50,836,604	Assets related
Xianning Photoelectric project (xiv)	-	7,800,000	-	-	7,800,000	Assets related
Group talent fund project (xv)	171,000,000	-	-	-	171,000,000	Assets related
Others	34,520,174	8,150,000	(171,976)	(18,341,424)	24,156,774	Assets related/Income related
	593,993,254	15,950,000	(171,976)	(47,070,175)	562,701,103	

(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 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.

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

(27) 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 16 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 16 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 inport discount complement and international corporation special subsidy. The grant will be amortised and credited to income statement by 12 to 15 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 funds granted by Yichang Municipal Government for Yichang CSG Display Company's flat project construction support funds and construction of coil coating three-line project. The grant will be amortised and credited to income statement by 15 years

(xiv) It represented the funds granted by Xianning Government of the Project supporting fund for photoconductive glass production line,which is used to pay for Xianning CSG Glass Co. Ltd. constructing the project of photoelectric photoelectric optical glass production line . After the completion of the production line, the ownership belongs to Xianning photoelectric. The allowance will be credited to income statement in 8 years, the useful life of the production line.

(xv) The allowance was granted by Administrative Commission of Yichang High-tech Industrial Development Zone. For senior management personnel, engineering technical personnel and senior professional technical team which is working at Yichang or plane to introduction, RMB171 million fund was set up, as a special fund for talent introduction and housing resettlement.

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

(28) Share capital

	31 December 2016	Movement for the year ended 31 December 2017: New issues during the year	Bonus issue	Capitalisation	Others	31 December 2017
RMB-denominated ordinary shares	1,312,751,568	-	-	196,912,735	-	1,509,664,303
Limited selling condition shares	-	97,511,654	-	-	-	97,511,654
Domestically listed foreign shares	762,583,992	-	-	114,387,598	-	876,971,590
	2,075,335,560	97,511,654	-	311,300,333	-	2,484,147,547

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

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

(29) Capital surplus

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Share premium (i)	1,345,264,670	319,838,225	(311,300,333)	1,353,802,562
Other capital surplus	(84,562,473)	37,141,676	-	(47,420,797)
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	757,420	-	-	757,420
Share-based payment (ii)	2,811,683	8,194,695	-	11,006,378
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	(87,197,562)	-	-	(87,197,562)
(iii)		28,946,981		28,946,981
	1,260,702,197	356,979,901	(311,300,333)	1,306,381,765

	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	(86,025,082)	-	(1,172,480)	(87,197,562)
	1,261,391,272	483,405	(1,172,480)	1,260,702,197

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

(29) 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)The Company passed the 2016 annual general meeting of shareholders held on May 22, 2017 and transferred 1.5 shares to every 10 shares for all shareholders. The total share capital before the distribution was 2,075,335,560 shares, and the total share capital after the dividend was increased to 2,386,635,893 shares. Capital reserve decreased by RMB311,300,333;

In this year, the equity incentive plan received RMB 417,349,879 of capital contribution from the incentive object, including RMB 97,511,654 of the share capital, which was included in the capital reserve of RMB 319,838,225.

(ii) This year, due to the equity incentive plan, the share payment fee of RMB8,194,695 was confirmed.

(iii) The shareholder Ju Shenghua provided interest-free loans of RMB1.61 billion to the company. The interest-free loans were charged to other capital reserves of RMB28,946,981 based on the interest expense calculated on the bank loan interest for the same period.

(30) Treasury shares

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Obligations of restricted share buybacks	-	417,349,879	-	417,349,879
	-	417,349,879	-	417,349,879

Explanation on changes in treasury stocks: The company confirms liabilities and treasury shares at the same time, based on the number of restricted shares issued and the corresponding repurchase price.

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 2017				
	31 December 2016	Attributable to parent company after tax	31 December 2017	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	2,103,971	(2,705,028)	(601,057)	(2,705,028)	-	-	(2,705,028)	-
	4,653,971	(2,705,028)	1,948,943	(2,705,028)	-	-	(2,705,028)	-

	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	-	-	-	-	-

Notes to the financial statements
for the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Differences on translation of foreign currency financial statements	417,772	1,686,199	2,103,971	1,686,199	-	-	1,686,199	-
	2,967,772	1,686,199	4,653,971	1,686,199	-	-	1,686,199	-

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

(32) Special reserve

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Safety production costs	5,843,473	7,831,127	(1,0449,662)	3,224,938

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

(33) Surplus reserve

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Statutory surplus reserve	760,655,662	32,084,102	-	792,739,764
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	888,508,230	32,084,102	-	920,592,332

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Statutory surplus reserve	730,927,762	29,727,900	-	760,655,662
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	858,780,330	29,727,900	-	888,508,230

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 RMB32,084,102 10% of the net profit, in 2017 (2016: RMB29,727,900, 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.

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

(34) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	3,573,871,573	3,428,478,565
Add: Net profits attributable to shareholders of parent company	825,388,312	797,721,576
Less: Appropriation for statutory surplus reserve	(32,084,102)	(29,727,900)
Ordinary share dividends payable (a)	(207,533,556)	(622,600,668)
Undistributed profits at end of year	4,159,642,227	3,573,871,573

(a) Pursuant to the resolution of Board of Directors of the Company on 22 May 2017, the Company paid cash dividends of RMB1 (tax inclusive) for each 10 shares based on total shares of 2,075,335,560, with the total cash dividends distributed of RMB207,533,556.

(35) Revenue and cost of sales

	2017	2016
Revenue from main operations	10,786,756,657	8,886,948,218
Revenue from other operations	92,644,089	87,135,189
	10,879,400,746	8,974,083,407

	2017	2016
Cost of sales from main operations	8,183,862,835	6,510,577,440
Cost of sales from other operations	32,495,537	51,636,933
	8,216,358,372	6,562,214,373

(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:

	2017		2016	
	Revenue	Cost	Revenue	Cost
Glass industry	6,975,512,082	5,179,173,783	6,244,550,400	4,542,947,575
Solar panel and parts	3,091,397,745	2,493,891,466	2,283,441,881	1,728,673,404
Electronic glass and displays	867,223,335	652,646,493	424,883,660	303,117,902
Elimination	(147,376,505)	(141,848,907)	(65,927,723)	(64,161,441)
	10,786,756,657	8,183,862,835	8,886,948,218	6,510,577,440

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

	2017		2016	
	Revenue	Cost	Revenue	Cost
Sales of raw materials	69,908,277	29,437,767	63,211,682	45,044,785
Others	22,735,812	3,057,770	23,923,507	6,592,148
	92,644,089	32,495,537	87,135,189	51,636,933

(36) Taxes and surtax

	2017	2016
City maintenance and construction tax	33,115,925	33,343,735
Educational surcharge	26,156,521	26,597,418
Housing property tax	29,539,408	19,980,233
Land use rights	21,941,304	14,851,345
Business tax	5,395,333	3,486,149
Others	8,375,435	4,900,666
	124,523,926	103,159,546

(37) Selling expenses

	2017	2016
Freight expenses	159,825,411	140,132,227
Employee benefits	110,068,886	100,367,564
Entertainment fees	12,690,770	12,607,179
Business travel expenses	10,931,013	10,738,590
Vehicle use fee	7,609,882	7,358,948
Rental expenses	5,937,331	5,376,741
General office expenses	3,662,269	7,239,581
Depreciation expenses	970,739	979,874
Others	24,435,422	17,014,386
	336,131,723	301,815,090

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

(38) Administrative expense

	2017	2016
Research and development expenses	330,677,375	285,129,442
Employee benefits	295,657,274	250,150,056
Depreciation expenses	65,929,139	59,067,087
Amortisation of intangible assets	43,884,166	36,907,548
General office expenses	25,126,422	24,313,472
Taxes	-	16,957,060
Labour union funds	14,696,230	11,325,909
Entertainment fees	12,027,303	10,834,055
Business travel expenses	11,074,568	10,495,397
Utility fees	10,108,470	10,065,166
Canteen costs	9,357,983	8,486,926
Vehicle use fee	6,639,769	6,141,700
Rental expenses	4,551,968	3,104,038
Consulting advisers	24,935,512	9,453,050
Others	64,663,593	24,158,153
	919,329,772	766,589,059

(39) Financial expenses

	2017	2016
Interest on borrowings	344,459,771	273,665,849
Less: Capitalised interest	(29,856,175)	(15,346,518)
Interest expenses	314,603,596	258,319,331
Less: Interest income	(12,606,285)	(3,193,680)
Exchange losses	4,780,451	249,220
Others	9,183,318	10,445,698
	315,961,080	265,820,569

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:

	2017	2016
Changes in inventories of finished goods and work in progress	(139,651,079)	(111,401,312)
Consumed raw materials and low value consumables, etc.	4,941,314,821	3,245,155,140
Fuel fee	1,143,379,014	1,059,231,787
Employee benefits	1,222,510,952	1,196,241,368
Depreciation and amortisation expenses	1,002,432,274	917,152,746
Utility fees	778,033,060	830,921,457
Freight expenses	159,825,411	140,132,227
Taxes	-	16,957,060
General office expenses	43,816,479	45,018,706
Canteen costs	39,682,701	38,395,686
Business travel expenses	26,904,472	27,482,191
Entertainment fees	26,167,761	24,785,451
Vehicle use fee	15,851,907	15,227,050
Rental expenses	10,489,299	8,480,779
Others	201,062,795	176,838,186
	9,471,819,867	7,630,618,522

(41) Asset impairment losses

	2017	2016
Impaiement of fixed assets	36,260,304	49,894,197
Bad debts	6,187,739	2,245,583
Decline in the value of inventories	68,974	6,722,984
Impairment loss in construction under construction	26,882,738	-
	69,399,755	58,862,764

(42) Gain or loss from change in fair value

	2017	2016
Financial liabilities at fair value through profit or loss		

Change in fair value during holding period of derivative financial instruments	-	(9,850,256)
Losses from disposal of derivative financial instruments(Note 4(43))	-	238,350,256
	-	228,500,000

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

(43) Investment income

	2017	2016
Losses from long-term equity investment under equity method	-	5,071,685
Losses from disposal of financial liabilities at fair value through profit or loss	427,636	(238,350,256)
Losses from disposal of long-term equity investment	-	(45,909,181)
	427,636	(279,187,752)

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

(44) Asset disposal income

	2017	2016
Gains on disposal of fixed assets	(1,768,993)	(1,759,358)
	(1,768,993)	(1,759,358)

(45) Other income

	2017	2016
Government subsidy amortization	47,070,175	-
Industry support funds	16,123,793	-
Research grants	6,940,140	-
Energy conservation and utilization support funds	228,116	-
Government incentive funds	12,457,123	-
Technological transformation discount	306,000	-
Energy conservation and utilization support funds	100,000	-
Others	1,116,467	-
	84,341,814	-

(46) Non-operating income

	2017	2016	Amount of non-recurring gains and losses included in 2017

Government grants (a)	3,533,603	91,627,439	3,533,603
Default income	275,000	11,000	275,000
Compensation income	15,557,320	1,016,936	15,557,320
Amounts unable to pay	27,959	875,302	27,959
Others	1,369,160	4,547,962	1,369,160
	20,763,042	98,078,639	20,763,042

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

(a) Government grants are analysed below:

	2017	2016	Category
Government grants amortisation	-	28,054,929	Asset-income related
Industry support fund	-	26,108,198	Income related
Tax returns	-	25,360,000	Income related
Energy-saving award		414,309	Income related
Government awards fund	2,748,263	2,332,700	Income related
Subsidies for research and development	-	4,364,900	Income related
Interest subsidy for technological renovation	600,000	-	Income related
Energy-saving fund	-	3,520,000	Income related
Others	185,340	1,472,403	Income related
	3,533,603	91,627,439	

(47) Non-operating expenses

	2017	2016	Amount of non-recurring gains and losses included in 2017
Losses on disposal of inventory material	-	4,096,235	-
Compensation	492,228	410,326	492,228
Donation	1,118,999	120,000	1,118,999
Others	3,541,364	518,355	3,541,364
	5,152,591	5,144,916	5,152,591

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

(48) Income tax expenses

	2017	2016
Current income tax	160,923,182	140,207,714
Deferred income tax	6,747,809	11,674,381
	167,670,991	151,882,095

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:

	2017	2016
Total profit	996,307,026	956,108,619
Income tax expenses calculated at applicable tax rates by company	149,078,702	145,901,167
Effect of changes in tax rates	-	4,545,871
Costs, expenses and losses not deductible for tax purposes	7,893,473	2,227,140
Income not subject to tax	(33,833)	(855)
Deductible losses for which no deferred tax asset was recognised in current period	20,825,885	25,603,526
Written-off of deductible losses for which deferred tax asset was recognised previously	-	1,469,360
Effect of tax incentives	(13,637,793)	(10,147,358)
Reconciliation of income tax for prior years in annual filing	3,544,557	(17,716,756)
Income tax expenses	167,670,991	151,882,095

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

(49) Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding.

The numerator of diluted earnings per share is determined based on the net profit attributable to the common shareholders of the company's common stock. The following factors are adjusted to determine: (1) interest on dilutive potential ordinary shares that have been recognized as expenses in the current period; (2) dilutive potential ordinary The income or expenses that will be generated when the shares are converted; (3) The above-mentioned adjustments related to income tax effects.

The denominator of the diluted earnings per share equals the sum of: (1) the weighted average number of ordinary shares of the parent company in the underlying earnings per share; (2) ordinary shares that are increased assuming the dilution of potential ordinary shares into common shares The weighted average.

When calculating the weighted average of the number of ordinary shares increased from diluted common stocks to ordinary shares, the diluted potential ordinary shares issued during the previous period are assumed to be converted at the beginning of the current period; diluted potential ordinary shares of the current period are issued. , assuming a conversion on the issue date.

The basic calculation of basic earnings per share and diluted earnings per share are as follows:

	2017	2016
Profit		
Consolidated net profit attributable to ordinary shareholders of parent company	825,388,312	797,721,576
Shares		
Weighted average number of outstanding ordinary	2,386,635,893	2,386,635,893
Dilution Effect - Weighted average number of ordinary shares		
Stock options	4,062,986	-
The weighted average number of ordinary shares issued by the company after adjustment	2,390,698,879	2,386,635,893
Basic earnings per share	0.35	0.33
among them：		
- Continuing basic earnings per share	0.35	0.33
- Termination of basic earnings per share	-	-
Diluted earnings per share	0.35	0.33
among them：		

- Continuing basic earnings per share	0.35	0.33
- Termination of basic earnings per share	-	-

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

(50) Notes to the cash flow statement

(a) Cash generated by other operating activities

	2017	2016
Government grants	40,805,242	38,212,510
Interest income	12,606,285	3,193,680
Others	18,937,040	5,871,941
	72,348,567	47,278,131

(b) Cash paid relating to other operating activities

	2017	2016
Freight expenses	170,941,469	170,991,413
Canteen costs	39,682,701	38,395,686
General office expenses	34,267,447	32,516,317
Research and development expenses	31,684,954	25,191,468
Business travel expenses	27,935,416	26,421,204
Entertainment fees	25,206,039	24,573,593
Vehicle use fee	15,851,907	15,227,050
Maintenance fee	25,969,168	15,804,981
Rental expenses	10,489,299	8,480,779
Insurance	8,759,738	10,750,838
Bank fees	9,183,318	10,445,698
Others	186,004,633	173,091,041
	585,976,089	551,890,068

(c) Cash generated by other investing activities

	2017	2016
Income from trial production of construction in progress	124,108,255	155,174,454
Final payment of Shenzhen CSG Display's subdiary equity transfer	-	150,000,000

Government grants related to assets received	15,950,000	16,351,250
Land grant funds received	28,098,000	28,098,000
Insurance claims received	19,600,000	-
Government lands refund received	-	14,891,603
	187,756,255	364,515,307

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

(d) Cash paid relating to other investing activities

	2017	2016
Trial production expenditure in construction	156,543,177	166,905,113
The subsidies which Qingyuan energy returns to government	-	15,300,000
Deposit	43,541,859	-
	200,085,036	182,205,113

(e) Cash generated by other financing activities

	2017	2016
Interest-free borrowing	1,610,000,000	-
Income from financing leases	1,986,000,000	-
Receiving industrial production dispatch funds	20,000,000	-
	3,616,000,000	-

(f) Cash payments relating to other financing activities

	2017	2016
Repay financing leases	104,821,449	-
Pay for industrial production scheduling funds	31,000,000	-
Return interest-free loan	1,610,000,000	-

Deposit	5,030,994	-
Payment of loan, security and fee for bills	32,257,231	-
	1,783,109,674	-

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

(51) Supplementary information to the cash flow statement

(a) Reconciliation from net profit to cash flows from operating activities

	2017	2016
Net profit	828,636,035	804,226,524
Add: Provision for asset impairment	69,399,755	58,862,764
Depreciation of fixed assets	957,475,579	879,345,692
Amortisation of intangible assets	43,884,166	36,907,548
Net movements of safety production costs	(2,618,535)	(9,594,025)
Amortisation of long-term prepaid expenses	1,072,529	899,506
Net losses/(gains) on disposal of fixed assets and intangible assets	8,194,695	-
Employee compensation based on shares	1,768,993	1,759,358
Financial expenses	314,603,596	258,319,331
Investment income/(loss)	(427,636)	279,187,752
Decrease/(increase) in deferred tax assets	15,578,992	13,884,362
Increase/(decrease) in deferred tax liabilities	(8,833,183)	(2,209,981)
(Increase)/decrease in inventories	-	(228,500,000)
Decrease/(increase) in operating receivables	(201,257,769)	(71,720,745)
Increase in operating payables	(206,859,922)	(259,804,129)

Increase in operating receivables	642,828,861	479,288,163
Net cash flows from operating activities	2,463,446,156	2,240,852,120

(b) Net increase/(decrease) in cash

	2017	2016
Cash and cash equivalents at end of year	2,459,753,165	584,566,990
Less: Cash and cash equivalents at beginning of year	(584,566,990)	(574,744,877)
Net increase in cash and cash equivalents	1,875,186,175	9,822,113

(c) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash		
- Cash on hand	36,182	17,239
- Bank deposits that can be readily drawn on demand	2,409,716,983	584,549,751
- Other cash balances that can be readily drawn on demand	50,000,000	-
Cash at end of year	2,459,753,165	584,566,990

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

(52) Assets with restricted ownership or use rights

	2017	2016	Reason
Monetary assets	2,852,599	2,236,515	Restricted deposit flow
Property,plant and equipment	2,369,789,041	-	Limited finance lease
	2,372,641,640	2,236,515	

(53) Monetary items denominated in foreign currencies

	31 December 2017		
	Balances denominated in foreign currencies	Exchange rates	Balances denominated in RMB

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

(All amounts in RMB Yuan unless otherwise stated)

Cash at bank and on hand -			
HKD	7,314,730	0.8359	6,114,383
USD	11,343,508	6.5342	74,120,750
EUR	675	7.8023	5,267
JPY	309,620	0.0579	17,927
AUD	17,439	5.0928	88,813
			80,347,140
Accounts receivable -			
HKD	11,549,666	0.8359	9,654,366
USD	19,490,453	6.5342	127,354,518
EUR	946,785	7.8023	7,387,101
			144,395,985
Short-term borrowings -			
HKD	75,000,000	0.8359	62,692,500
Accounts payable -			
HKD	307	0.8359	257
USD	15,922,406	6.5342	104,040,185
EUR	2,642,275	7.8023	20,615,822
JPY	281,927,203	0.0579	16,323,585
			140,979,849

5 The changes of consolidation scope

The Group established a subsidiary company, China CGS (AUSTRILIA) PTY LTD, on 31 December 2017, and the Group has not invested yet. The Company holds 100% of its shares.

6 Interest in other entities

(1) Interest in subsidiaries

(a) Structure of the enterprise group

As at 31 December 2017, 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%

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 2017	Dividends distributed to minority shareholders for the year ended 31 December 2017	Minority interests as at 31 December 2017
Shenzhen CSG Display	39.20%	(436,287)	2,488,500	302,902,364

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen CSG Display	230,735,047	1,384,202,485	1,614,937,532	588,962,555	237,351,982	826,314,537

	2017			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen CSG Display	563,191,871	14,127,082	14,127,082	91,246,186

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, Estimated 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:

- Glass segment, engaged in production and sales of float glass and engineering glass and the silica for the production thereof, 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 Estimates 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.

7 Segment information (Cont'd)

(a) Segment information as at and for the year ended 31 December 2017 is as follows:

	Flat glass	Electronic glass and displays	Solar energy	Others	Unallocated	Elimination	Total
Revenue from external customers	6,954,683,103	873,166,517	3,050,921,865	-	629,261	-	10,879,400,746
Inter-segment revenue	97,227,192	701,963	74,689,369	-	58,058,305	(230,676,829)	-
Interest income	1,152,232	146,973	262,942	608	11,043,530	-	12,606,285
Interest expenses	(153,982,540)	(32,003,353)	(79,797,858)	-	(54,488,918)	5,669,073	(314,603,596)
Asset impairment losses	(20,109,566)	(352,808)	(48,857,162)	-	(80,219)	-	(69,399,755)
Depreciation and amortisation expenses	(601,774,748)	(132,769,853)	(261,527,443)	(107,198)	(6,253,032)	-	(1,002,432,274)
Total profit/(loss)	827,335,674	80,463,836	218,437,923	(110,328)	(124,292,481)	(5,527,598)	996,307,026
Income tax (expenses)/income	(118,701,953)	(21,223,939)	(23,950,456)		(3,794,643)	-	(167,670,991)
Net profit/(loss)	708,633,721	59,239,897	194,487,467	(110,328)	(128,087,124)	(5,527,598)	828,636,035
Total assets	9,121,982,895	3,032,467,443	4,969,121,408	664,853	2,410,765,769	-	19,535,002,368
Total liabilities	3,453,100,959	856,548,520	1,640,361,900	2,502,814	4,802,865,064	-	10,755,379,257
Increase in non-current assets (i)	160,029,169	459,791,787	629,473,708	-	2,875,254	-	1,252,169,918

7 Segment information (Cont'd)

(b) Segment information as at and for the year ended 31 December 2016 is as follows:

	Flat glass	Electronic glass and displays	Solar energy	Others	Unallocated	Elimination	Total
Revenue from external customers	6,248,986,019	432,923,679	2,291,096,315	-	1,077,394	-	8,974,083,407
Inter-segment revenue	53,644,824	533,611	29,140,901	-	21,504,477	(104,823,813)	-
Interest income	709,739	169,281	215,863	69	3,680,920	(1,582,192)	3,193,680
Interest expenses	(141,501,800)	(20,216,385)	(80,249,948)	-	(22,179,393)	5,828,195	(258,319,331)
Investment income from associates	-	-	-	-	5,071,685	-	5,071,685
Asset impairment losses	(1,347,361)	(6,474,743)	(52,808,413)	-	1,767,753	-	(58,862,764)
Depreciation and amortisation expenses	(579,880,012)	(89,743,215)	(240,386,653)	-	(7,142,866)	-	(917,152,746)
Change in fair value of derivative financial instruments	-	-	-	-	(9,850,256)	-	(9,850,256)
Total profit/(loss)	870,911,083	19,861,854	246,515,279	(64,601)	(179,348,714)	(1,766,282)	956,108,619
Income tax (expenses)/income	(115,934,739)	(9,777,225)	(26,285,679)	-	115,548	-	(151,882,095)
Net profit/(loss)	754,976,344	10,084,629	220,229,600	(64,601)	(179,233,166)	(1,766,282)	804,226,524
Total assets	9,002,421,342	2,594,860,320	4,476,309,055	135,161	1,073,089,752		17,146,815,630
Total liabilities	1,789,702,282	566,783,261	519,338,730	2,502,814	6,139,297,524	-	9,017,624,611
Increase in non-current assets (i)	368,179,542	1,539,319,460	652,019,325	-	4,578,555	-	2,564,096,882

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	2017	2016
Mainland	9,506,249,433	7,971,929,246
Hong Kong, PRC	434,551,436	135,128,604
Europe	26,534,686	25,914,385
Asia (other than Mainland and Hong Kong)	848,958,711	614,806,258
Australia	37,937,222	37,437,349
North America	6,030,936	134,941,952
Other regions	19,138,322	53,925,613
	10,879,400,746	8,974,083,407

Total non-current assets	31 December 2017	31 December 2016
Mainland	14,505,740,522	14,392,447,014
Hong Kong, PRC	12,798,642	12,551,254
	14,518,539,164	14,404,998,268

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

Shenzhen CSG Display company is a joint venture of the Company, and it became a subsidiary of our company on June 3, 2016. Prior to June 3, 2016, the related transaction between Shenzhen CSG Display company and the Group is noted, as indicated in note 8 (5).

On December 31, 2017, the Company has no joint venture.

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	Controlled by the former key management personnel of the Croup
Yichang Hongtai Real Estate Co. Ltd	Other related parties and their affiliates

(5) Related party transactions

(a) Purchase and sales of goods, provision and receiving of labour

Related parties	Related party transactions	Pricing policies	2017	2016
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
Xianning CSG Photoelectric	Sales of special glass	Refer to market price	-	2,349,353
			-	4,458,974

(b) Leases

The Group as the lessor:

Name of the lessee	Category of the leased asset	Lease income recognised in 2017	Lease income recognised in 2016
Shenzhen CSG Display	Equipment under finance leases	-	2,359,961
		-	2,359,961

(c) Gains on equity transfer
None

(d) Acquisition of equity

Related parties	Related party transactions	Pricing principle	2017	2016
Shenzhen Qianhai	Acquire 37.5% of	Refer to fair value	-	38,250,000

Ruinan Investment LLP	Xianning CSG Photoelectric's equity	of the equity		

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions

(e) Advances paid on behalf of related parties

Related parties	Related party transactions	Pricing policies	2017	2016
Shenzhen CSG Display	Advances of electric charge	Refer to market price	-	8,168,076

(f) Remuneration of key management

	2017	2016
Remuneration	12,030,000	10,914,002

(6) Receivables from related parties

		December 31, 2017		December 31, 2016	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
Other receivables	Yichang Hongtai Real Estate Company	171,000,000	(3,420,000)	171,000,000	(3,420,000)

(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	2017	2016
Shenzhen Jushenghua Co., Ltd. ("Jushenghua")	Facility of interest-free loans provided for the Company	Nil	2,000,000,000	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 billion 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. The shareholder provided RMB 1 billion 610 million interest free loan to the group in the current year, which has been returned to all in December 31, 2017.

9 Share Payment

1. Overall situation of share payment

The total number of equity instruments granted by the company in the current period Restricted shares	97,511,654 shares
Total amount of various equity instruments that the company exercises during the current period	-
The total number of various equity instruments that have failed in the current period	-
The scope of the company's outstanding share options and the remaining duration of the contract at the end of the period	-
The scope of the company's exercise of other equity instruments at the end of the period and the remaining duration of the contract	-

Note: On December 11, 2017, reviewed and approved by the Group's eighth session of the Board of Directors, the Group implemented the 2017 A Share Restricted Stock Incentive Plan. The incentive targets for the restricted shares granted under this plan include company directors and senior management personnel. A total of 454 core management teams, company technology members and main employees. The first grant date of this restricted stock was December 11, 2017. The company granted 97,511,654 restricted shares for the first time to 454 incentive targets. The initial grant price was 4.28RMB per share. Reserved restricted stock ending balance 17,046,869 shares, the grant price has not been determined. The shares granted of the first time has been registered and listed.

This incentive plan is valid for 48 months from the date of grant of the restricted stock to the date of unlocking of all restricted stocks or the completion of repurchase and cancellation. During the unlocking/exercise period, if the unlocking/exercise condition specified in the incentive plan is reached, the restricted stock granted is unlocked in three phases after 12 months from the grant date.

The unlock period is shown in the following table:

Unlock Schedule	Unlock Time	Unlock Ratio
First unlock	from the date of the first transaction 12 months after the award date to the date of the last transaction within 24 months from the grant date.	40%
Second unlock	from the date of the first trading day 24 months after the grant date to the date of the last trading day within 36 months from the grant date	30%
Third unlock	from the date of the first trading day 36 months after the grant date to the day of the last trading day within 48 months from the grant date	30%

9 Share Payment (Cont'd)

2. Equity-settled share payment

Method for Determining the Fair Value of Equity Instruments on the Grant Date	Black-Scholes Model
Determination of the best estimate of the number of vesting equity instruments	Based on the latest information on the change in the number of exercisable rights and the completion of performance indicators, the number of equity instruments that are expected to be exercised is revised.
Reasons for significant differences between current estimates and previous estimates	Not applicable
Cumulative amount of equity-settled share-based payment in capital reserves	8,194,695
Total equity confirmed by equity-settled share-based payment in this period	8,194,695

According to the relevant provisions of Accounting Standards for Business Enterprises No. 11 - Share Payment and Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, the Group uses the Black-Scholes model (BS model) as a pricing model, deducting incentive objects. The fair value of the restricted stock will be used after the lock-in costs that are required to obtain the rational expected return from the sales restriction period are lifted in the future. The Group will, on each balance sheet date of the lock-in period, revise the number of restricted stocks that are expected to be unlockable based on the newly obtained changes in the number of unlockable persons and performance indicators, and follow the fair value of the restricted stock grant date. The services obtained during the current period are included in the relevant costs or expenses and capital reserves.

The Group actually granted restricted stocks of 97,511,654 shares in 2017, and the total fair value of the equity instruments granted to the incentive target for the first day of grant was RMB 289,519,900, the total fair value as the total cost of the company's equity incentive plan will be confirmed in stages according to the unlocking/exercise ratio during the implementation of the equity incentive plan, and will be included in the “management fees” and “capital” of each period accordingly.

In 2017, the Group achieved conditions for unlocking restricted stocks. In the current period, the relevant cost sharing amount of the incentive plan was recognized as RMB 8,194,695.

10 Contingencies

Nil.

11 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	31 December 2017	31 December 2016
Buildings, machinery and equipment	150,418,893	280,938,401

11 Commitments (Cont’d)

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	31 December 2017	31 December 2016
Within 1 year	3,675,748	1,142,713
1 to 2 years	1,914,948	831,008
2 to 3 years	1,472,224	273,320
Over 3 years	3,443,641	282,534
	10,506,561	2,529,575

12 Events after the balance sheet date

Statement of profit distribution after balance sheet date

	Amount
Proposed distribution of cash dividends	124,207,377

Pursuant to the resolution of the board of directors dated April 20, 2018, the board of directors proposed that the company distribute cash dividends of RMB 124,207,377 to all shareholders, which has not yet been recognized as a liability in the financial statements. In addition, the board of directors proposes to use the capital of 2,484,147,547 as the base to transfer 1.5 shares for every 10 shares to all shareholders in a total of 372,622,132 shares, which has not yet been reclassified as capital in the financial statements.

13 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollar. 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.

As at 31 December 2017, book values in RMB equivalent of the Group’s assets and liabilities denominated in foreign currencies are summarized below:

13 Financial instrument and risk (Cont’d)

(1) Market risk (Cont'd)

	31 December 2017			
	USD	HKD	Others	Total

Financial assets denominated in foreign currency -				
Cash at bank and on hand	74,120,750	6,114,383	112,007	80,347,140
Receivables	127,354,518	9,654,366	7,387,101	144,395,985
	201,475,268	15,768,749	7,499,108	224,743,125
Financial liabilities denominated in foreign currency -				
Short-term borrowings	-	62,692,500	-	62,692,500
Payables	104,040,185	257	36,939,407	140,979,849
	104,040,185	62,692,757	36,939,407	203,672,349

	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
	130,103,012	5,551,402	7,758,362	143,412,776
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
	74,140,797	67,087,775	24,217,998	165,446,570

As at 31 December 2017, 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 RMB8,281,982 lower/higher (31 December 2016: approximately RMB4,756,788 lower/higher) for various financial assets and liabilities denominated in USD.

As at 31 December 2017, 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 RMB3,988,541 higher/lower (31 December 2016: approximately RMB5,230,592higher/lower) for various financial assets and liabilities denominated in HKD.

Other changes in exchange rate had no significant influence on the Group's operating activities.

13 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 2017, the Group's long-term interest-bearing debts at and fixed rates and floating rates are illustrated below:

	31 December 2017	31 December 2016
Debt at fixed rates	1,425,000,000	1,380,000,000
Debt at floating rates	129,120,000	58,660,000
	1,554,120,000	1,438,660,000

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.

13 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 2017, the Group had net current liabilities of approximately RMB2.52 billion and committed capital expenditures of approximately RMB0.15 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;
(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 analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5years	Over 5 years	Total
Short-term borrowings	3,810,013,826	-	-	-	3,810,013,826
Notes payable	213,401,622	-	-	-	213,401,622
Accounts payable	1,400,166,042	-	-	-	1,400,166,042
Interest payable	34,032,740	-	-	-	34,032,740
Other payables	619,324,354	-	-	-	619,324,354
Other current liabilities	300,000	-	-	-	300,000
Current portion of non-Current liabilities	911,348,902	-	-	-	911,348,902
Long-term payables	-	600,436,759	561,357,488	-	1,161,794,247
Long-term borrowings	80,169,450	117,889,436	1,580,649,809	-	1,778,708,695
	7,068,756,936	718,326,195	2,142,007,297	-	9,929,090,428

	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
	6,642,209,170	290,439,172	1,287,871,345	-	8,220,519,687

14 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 2017, 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, ect.

Except for financial liabilities listed below, book value of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Corporate bonds payable	-	-	1,000,000,000	1,009,177,000
Medium term notes	1,200,000,000	1,171,444,800	1,200,000,000	1,175,308,800
	1,200,000,000	1,171,444,800	2,200,000,000	2,184,485,800

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.

15 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 2017 and 31 December 2016, the Group's gearing ratio is as follows:

	31 December 2017	31 December 2016
Total liabilities	10,755,379,257	9,017,624,611
Total assets	19,535,002,368	17,146,815,630
Gearing ratio	55%	53%

16 Notes to the Company's financial statements

(1) Other receivables

	31 December 2017	31 December 2016
Receivables from related parties	2,399,392,648	4,033,706,419
Others	4,451,192	423,416
	2,403,843,840	4,034,129,835
Less: Provision for bad debts	(3,509,024)	(3,428,806)
	2,400,334,816	4,030,701,029

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

	31 December 2017	31 December 2016
Within 1 year	2,232,668,334	3,863,129,835
Over 1year	171,175,506	171,000,000
	2,403,843,840	4,034,129,835

As at 31 December 2017, the Company had no overdue but not impaired other receivables (31 December 2016: Nil).

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

	31 December 2017				31 December 2016			
	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	4,451,192	-	(89,024)	2%	423,416	-	(8,806)	2%

- Group 2	2,399,392,648	100%	(3,420,000)	-	4,033,706,419	100%	(3,420,000)	-
	2,403,843,840	100%	(3,509,024)	-	4,034,129,835	100%	(3,428,806)	-

(c) or other receivables provided for bad debts by portfolio, the percentage of provision for the portfolio is as follows:

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	4,451,192	(89,024)	2%	423,416	(8,806)	2%
Portfolio 2	2,399,392,648	(3,420,000)	-	4,033,706,419	(3,420,000)	-
	2,403,843,840	(3,509,024)	-	4,034,129,835	(3,428,806)	-

16 **Notes to the Company's financial statements (Cont'd)**

(1) Other receivables (Cont'd)

(δ) As at 31 December 2017, 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	1,265,446,303	Within 1 year	53%
Qingyuan CSG Energy-Saving	Subsidiary	315,175,452	Within 1 year	13%
Yichang CSG Display	Subsidiary	217,350,199	Within 1 year	9%
Yichang Hongtai Real Estate Co. Ltd	Other related parties and their affiliates	171,000,000	Over 1 year	7%
Xianning CSG photoelectric glass	Subsidiary	120,520,736	Within 1 year	5%
		2,089,492,690		87%

(2) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	4,810,987,652	4,805,440,632
Less: Impairment provision for investments in subsidiaries (a)	(15,000,000)	(15,000,000)
	4,795,987,652	4,790,440,632

16 Notes to the Company's financial statements (Cont'd)

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

(a) Subsidiaries

	31 December 2016 (i)	Movement in current year: Additional investment	Movement in current year: Decrease in investment	Movement in current year: Provision for impairment loss	31 December 2017 (i)	Provision for impairment loss	Cash dividends declared in current year
Chengdu CSG	146,679,073	298,274	-	-	146,977,347	-	29,098,516
Sichuan CSG Energy Conservation	115,290,583	256,131	-	-	115,546,714	-	36,798,924
Tianjin Energy Conservation	242,902,974	288,454	-	-	243,191,428	-	
Dongguan CSG	193,618,971	297,078	-	-	193,916,049	-	
Dongguan CSG Solar	349,446,826	354,328	-	-	349,801,154	-	109,684,420
Yichang CSG Silicon	632,958,044	506,124	-	-	633,464,168	-	
Wujiang CSG	251,313,658	202,531	-	-	251,516,189	-	35,752,200
Hebei CSG	261,998,368	266,973	-	-	262,265,341	-	
China Southern Glass (Hong Kong) Limited	85,742,211	60,391	-	-	85,802,602	-	
Wujiang CSG	562,179,564	348,190	-	-	562,527,754	-	175,598,720
Hebei Shichuang	243,062,801	208,669	-	-	243,271,470	-	
Jiangyou CSG Mining Development Co. Ltd.	100,725,041	112,558	-	-	100,837,599	-	
Xianning CSG	177,041,818	253,676	-	-	177,295,494	-	47,124,545
Xianning CSG Energy-Saving	161,281,576	262,268	-	-	161,543,844	-	
Qingyuan CSG Energy-Saving	300,185,609	191,239	-	-	300,376,848	-	

Shenzhen CSG Financial Leasing Co., Ltd.	133,500,000		-	-	133,500,000	-	
Shenzhen CSG PV Energy Co., Ltd.	100,000,000	52,985	-	-	100,052,985	-	
Shenzhen CSG Display	542,027,830	664,058	-	-	542,691,888	-	2,011,500
Xianning CSG Photoelectric	38,250,000	220,534	-	-	38,470,534	-	
Others (ii)	167,235,685	702,559	-	-	167,938,244	(15,000,000)	
	4,805,440,632	5,547,020	-	-	4,810,987,652	(15,000,000)	436,068,825

16 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 2017, included in the investments in subsidiaries were deemed investment costs of RMB 114,582,341 (31 December 2016: RMB 109,035,321), 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.

(3) Long-term receivables

	31 December 2017	31 December 2016
Bonds payable and long-term borrowings allocated to subsidiaries	1,200,000,000	1,905,645,000
Entrusted loans allocated to subsidiaries		98,000,000
	1,200,000,000	2,003,645,000
Less: Provisions for impairment		-
	1,200,000,000	2,003,645,000

16 Notes to the Company's financial statements (Cont'd)

(3) Long-term receivables (Cont'd)

	31 December 2016	Movements in current year	31 December 2017	Provision for impairment loss	Reversals of provision for impairment loss in current year
Chengdu CSG	190,000,000	(140,000,000)	50,000,000	-	-
Sichuan CSG Energy Conservation	114,665,000	(94,665,000)	20,000,000	-	-
Dongguan CSG PV-tech	160,105,000	(110,105,000)	50,000,000	-	-
Yichang CSG Silicon	472,480,000	(122,480,000)	350,000,000	-	-
Dongguan CSG	99,835,000	(24,835,000)	75,000,000	-	-
Wujiang CSG	310,000,000	(100,000,000)	210,000,000	-	-
Dongguan CSG Solar	193,780,000	(73,780,000)	120,000,000	-	-
Wujiang CSG	69,890,000	(19,890,000)	50,000,000	-	-
Qingyuan CSG Energy-Saving	148,000,000	(98,000,000)	50,000,000	-	-
Xianning CSG Energy-Saving	80,000,000	-	80,000,000	-	-
Xianning CSG	75,000,000	-	75,000,000	-	-
Hebei CSG Class	69,890,000	(19,890,000)	50,000,000		
Hebei CSG Window	20,000,000	-	20,000,000	-	-
	2,003,645,000	(803,645,000)	1,200,000,000	-	-

(4) Other payables

	31 December 2017	31 December 2016
Subsidiaries	477,067,694	233,414,167
Share repurchase	417,349,879	-
Others	15,015,418	7,179,727
	909,432,991	240,593,894

(5) Investment income

	2017	2016
Investment income from long-term equity investment under cost method	436,068,825	395,236,932
Investment income from long-term equity investment under equity method	-	29,186,090
Losses from disposal of financial liabilities at fair value through profit or loss	-	(238,350,256)
	436,068,825	186,072,766

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

I Statement of non-recurring gains and losses

	2017	2016
Gains or losses on disposal of non-current assets	1,768,993	1,759,358
Government grants recognised in profit or loss for current period	(87,875,417)	(91,627,439)
Gain or loss from change in fair value	-	(228,500,000)
Investment losses from disposal of financial liabilities at fair value through profit or loss	(427,636)	238,350,256
Losses from revaluation of stock rights under business combinations involving enterprises not under common control	-	45,909,181
Non-operating income and expenses other than aforesaid items	(12,076,848)	(1,306,284)
	(98,610,908)	(35,414,928)
Effect of income tax	16,209,135	14,327,585
Effect of minority interests (after tax)	2,386,569	316,740
Total non-recurring gains and losses	(80,015,204)	(20,770,603)

(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	
	2017	2016	2017	2016	2017	2016
Net profit attributable to ordinary shareholders of the Company	10.15%	10.33%	0.35	0.33	0.35	0.33
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	9.16%	10.06%	0.31	0.33	0.31	0.33

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S BALANCE SHEETS
AS AT 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated	31 December 2017 Company	31 December 2016 Company (Restated
Current assets					
Cash at bank and on hand	4(1)	2,462,605,764	586,803,505	1,681,877,320	302,841,481
Notes receivable	4(2)	552,232,420	456,347,237	-	-
Accounts receivable	4(3)	638,238,290	627,985,983	-	-
Advances to suppliers	4(4)	143,848,023	95,733,132	146,132	16,880
Other receivables	4(5)/16(1)	205,939,019	200,809,149	2,400,334,816	4,030,701,029
Inventories	4(6)	685,895,317	477,780,925	-	-
Assets classified as held for sale	4(7)	45,983,520	-	-	-
Other current assets	4(8)	200,847,989	199,905,577	-	-
Total current assets		4,935,590,342	2,645,365,508	4,082,358,268	4,333,559,390
Non-current assets					
Long-term receivables	16(3)	-	-	1,200,000,000	2,003,645,000
Long-term equity investments	16(2)	-	-	4,795,987,652	4,790,440,632
Fixed assets	4(9)	11,540,769,697	11,457,972,991	22,182,246	26,073,848
Construction in progress	4(10)	1,417,624,618	1,362,096,377	-	-
Intangible assets	4(11)	1,047,222,407	1,032,458,977	1,742,109	1,393,454
Development expenditure	4(11)	61,365,537	66,927,714	-	-
Goodwill	4(12)	397,392,156	397,392,156	-	-
Long-term prepaid expenses		2,223,397	975,660	-	-
Deferred tax assets	4(13)	80,872,862	96,451,854	-	-
Other non-current assets	4(14)	51,941,352	87,174,393	2,132,041	-
Total non-current assets		14,599,412,026	14,501,450,122	6,022,044,048	6,821,552,934
TOTAL ASSETS		19,535,002,368	17,146,815,630	10,104,402,316	11,155,112,324

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2017 Consolidated	31 December 2016 Consolidated (Restated	31 December 2017 Company	31 December 2016 Company (Restated
Current liabilities					
Short-term borrowings	4(16)	3,704,630,909	4,017,869,662	2,600,000,000	3,495,163,044
Notes payable	4(17)	213,401,622	20,000,000	-	-
Accounts payable	4(18)	1,400,166,042	1,169,869,370	261,024	317,874
Advances from customers	4(19)	195,563,465	142,330,979	-	-
Employee benefits payable	4(20)	272,170,660	193,372,239	40,856,313	18,380,010
Taxes payable	4(21)	111,996,764	115,592,616	1,762,580	1,804,568
Interest payable	4(22)	34,032,740	78,225,904	3,090,735	3,794,646
Other payables	4(23) /16(4)	619,324,354	188,321,450	909,432,991	240,593,894
Current portion of non-current liabilities	4(24)	904,261,397	1,029,340,000	180,000,000	1,000,000,000
Other current liabilities		300,000	300,000	-	-
Total current liabilities		7,455,847,953	6,955,222,220	3,735,403,643	4,760,054,036
Non-current liabilities					
Long-term borrowings	4(25)	1,554,120,000	1,438,660,000	1,200,000,000	1,380,000,000
Bonds payable	4(26)	1,161,794,247	-	-	-
Deferred tax liabilities	4(13)	20,915,954	29,749,137	-	-
Deferred income	4(27)	562,701,103	593,993,254	186,526,280	183,035,040
Total non-current liabilities		3,299,531,304	2,062,402,391	1,386,526,280	1,563,035,040
Total liabilities		10,755,379,257	9,017,624,611	5,121,929,923	6,323,089,076
Shareholders' equity					
Share capital	4(28)	2,484,147,547	2,075,335,560	2,484,147,547	2,075,335,560
Capital surplus	4(29)	1,306,381,765	1,260,702,197	1,451,209,079	1,405,529,511
Less:Treasury shares	4(30)	(417,349,879)	-	(417,349,879)	-
Other comprehensive income	4(31)	1,948,943	4,653,971	-	-
Special reserve	4(32)	3,224,938	5,843,473	-	-
Surplus reserve	4(33)	920,592,332	888,508,230	935,137,692	903,053,590
Undistributed profits	4(34)	4,159,642,227	3,573,871,573	529,327,954	448,104,587
Total equity attributable to shareholders of parent company		8,458,587,873	7,808,915,004	4,982,472,393	4,832,023,248
Minority interests		321,035,238	320,276,015	-	-
Total shareholders' equity		8,779,623,111	8,129,191,019	4,982,472,393	4,832,023,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,535,002,368	17,146,815,630	10,104,402,316	11,155,112,324

CSG HOLDING CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

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 2017

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
Revenue	4(35)	10,879,400,746	8,974,083,407	58,687,566	22,581,872
Less: Cost of sales	4(35)	(8,216,358,372)	(6,562,214,373)	-	(60,337)
Taxes and surcharges	4(36)	(124,523,926)	(103,159,546)	(4,942,397)	(92,575)
Selling and distribution expenses	4(37)	(336,131,723)	(301,815,090)	-	-
General and administrative expenses	4(38)	(919,329,772)	(766,589,059)	(117,294,601)	(122,708,284)
Financial expenses - net	4(39)	(315,961,080)	(265,820,569)	(42,124,252)	(20,405,532)
Asset impairment loss	4(41)	(69,399,755)	(58,862,764)	(80,219)	1,767,753
Add: Gain or loss from changes in fair value	4(42)	-	228,500,000	-	228,500,000
Investment income/(loss)	4(43) /16(5)	427,636	(279,187,752)	436,068,825	186,072,766
Income on disposal assets	4(44)	(1,768,993)	(1,759,358)	-	3,210
Other Income	4(45)	84,341,814	-	1,568,240	-
Operating profit		980,696,575	863,174,896	331,883,162	295,658,873
Add: Non-operating revenue	4(46)	20,763,042	98,078,639	40,000	1,574,277
Less: Non-operating expenses	4(47)	(5,152,591)	(5,144,916)	(3,426,562)	-
Total profit		996,307,026	956,108,619	328,496,600	297,233,150
Less: Income tax (expenses)/revenue	4(48)	(167,670,991)	(151,882,095)	(7,655,575)	45,854
Net profit		828,636,035	804,226,524	320,841,025	297,279,004
Classified by continuous operation:					
Net income from continuing operations ("-" for net loss)		828,636,035	804,226,524	320,841,025	297,279,004
Net income from discontinued operations ("-" for net loss)		-	-	-	-
Classified by equity ownership:					
Attributable to shareholders of parentcompany		825,388,312	797,721,576	-	-
Minority interests		3,247,723	6,504,948	-	-
Other comprehensive income net after tax		(2,705,028)	1,686,199	-	-
Other comprehensive income net after tax attributable to shareholders of parentcompany		(2,705,028)	1,686,199	-	-
Other comprehensive income items which will be reclassified subsequently to profit or loss		(2,705,028)	1,686,199	-	-
Differences on translation of foreign currency financial statements		(2,705,028)	1,686,199	-	-
Other comprehensive income net after tax attributable to minority interests		-	-	-	-
Total comprehensive income	4(31)	825,931,007	805,912,723	320,841,025	297,279,004
Total comprehensive income attributable to shareholders of parent company		822,683,284	799,407,775		
Total comprehensive income attributable to minority interests		3,247,723	6,504,948		

Earnings per share	4(49)		
Basic earnings per share (RMB Yuan)	4(49)	0.35	0.33
Diluted earnings per share (RMB Yuan)	4(49)	0.35	0.33

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	2017 Consolidated	2016 Consolidated	2017 Company	2016 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		12,159,560,836	10,375,273,438	84,336,551	-
Refund of taxes and surcharges		24,706,337	69,632,529	-	-
Cash received relating to other operating activities	4(50)(a)	72,348,567	47,278,131	16,104,051	3,798,557
Sub-total of cash inflows		12,256,615,740	10,492,184,098	100,440,602	3,798,557
Cash paid for goods and services		(7,206,584,779)	(5,719,787,359)	(65,853)	-
Cash paid to and on behalf of employees		(1,204,981,471)	(1,198,976,110)	(61,388,549)	(125,316,231)
Payments of taxes and surcharges		(795,627,245)	(780,678,441)	(17,355,536)	(39,189,451)
Cash paid relating to other operating activities	4(50)(b)	(585,976,089)	(551,890,068)	(26,421,920)	(13,035,783)
Sub-total of cash outflows		(9,793,169,584)	(8,251,331,978)	(105,231,858)	(177,541,465)
Net cash flows from/(used in) operating activities		2,463,446,156	2,240,852,120	(4,791,256)	(173,742,908)
2. Cash flows from investing activities					
Cash received from returns on investments		-	-	436,068,825	395,236,932
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,370,785	8,426,349	-	3,210
Cash received relating to other investing activities	4(50)(c)	187,756,255	364,515,307	5,966,582	736,648,232
Sub-total of cash inflows		192,127,040	372,941,656	442,035,407	1,131,888,374
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(1,212,172,338)	(1,289,115,730)	(3,996,610)	(807,521)
Cash paid to acquire investments		-	(4,252,960)	-	(158,896,160)
Net cash received from acquired subsidiaries		-	(503,593,518)	-	(502,204,796)
Cash paid relating to other investing activities	4(50)(d)	(200,085,036)	(182,205,113)	(284,975)	-
Sub-total of cash outflows		(1,412,257,374)	(1,979,167,321)	(4,281,585)	(661,908,477)
Net cash flows (used in)/from investing activities		(1,220,130,334)	(1,606,225,665)	437,753,822	469,979,897
3. Cash flows from financing activities					
Cash received from capital contributions		417,349,879	14,500,000	417,349,879	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		-	14,500,000	-	-
Cash received from borrowings		4,096,568,050	9,747,674,851	2,750,693,638	9,117,091,808

Cash received relating to other financing activities	4(50)(e)	3,616,000,000	-	2,700,067,157	-
Sub-total of cash inflows		8,129,917,929	9,762,174,851	5,868,110,674	9,117,091,808
Cash repayments of borrowings		(5,154,107,768)	(9,481,131,859)	(4,646,723,365)	(8,580,928,764)
Cash payments for interest expenses and distribution of dividends or profits		(558,404,559)	(907,404,419)	(275,981,816)	(871,890,165)
Including: Cash payments for dividends to minority shareholders of subsidiaries		(2,488,500)	-	-	-
Cash payments relating to other financing activities	4(50)(f)	(1,783,109,674)	-	-	(53,686,866)
Sub-total of cash outflows		(7,495,622,001)	(10,388,536,278)	(4,922,705,181)	(9,506,505,795)
Net cash flows (used in)/from financing activities		634,295,928	(626,361,427)	945,405,493	(389,413,987)
4. Effect of foreign exchange rate changes on cash		(2,425,575)	1,557,085	666,398	208,178
5. Net increase/(decrease) in cash and cash equivalents	4(51)(b)	1,875,186,175	9,822,113	1,379,034,457	(92,968,820)
Add: Cash and cash equivalents at beginning of year		584,566,990	574,744,877	301,637,933	394,606,753
6. Cash and cash equivalents at end of year	4(51)(c)	2,459,753,165	584,566,990	1,680,672,390	301,637,933

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

		Attributable to shareholders of parentcompany								
Item		Share capital	Capital surplus	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
	Note	4(28)	4(29)	4(31)	4(32)	4(33)	4(34)			
Balance at 31 December 2015		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
Prior period accounting error correction		-	-	-	-	(342,000)	(3,078,000)	(3,420,000)		(3,420,000)
Balance at 1 January 2016(Restated)		2,075,335,560	1,261,391,272	2,967,772	15,437,498	858,780,330	3,428,478,565	7,642,390,997	3,080,480	7,645,471,477
Movements for the year ended 31 December 2016 (Restated)										
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 invest or reduce from shareholders		-	402,262	-	-	-	-	402,262	313,771,067	314,173,329
Minority shareholders invest capital		-	-	-	-	-	-	-	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		-	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		-	(1,172,480)	-	-	-	-	(1,172,480)	(3,080,480)	(4,252,960)
Balance at 31 December 2016		2,075,335,560	1,260,702,197	4,653,971	5,843,473	888,508,230	3,573,871,573	7,808,915,004	320,276,015	8,129,191,019

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY (CONT’D)
FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

Item	Note	Attributable to shareholders of parentcompany									
		Share capital	Capital surplus	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
	Note	4(28)	4(29)	4(30)	4(31)	4(32)	4(33)	4(34)			
Balance at 1 January 2017(Restated)		2,075,335,560	1,260,702,197	-	4,653,971	5,843,473	888,508,230	3,573,871,573	7,808,915,004	320,276,015	8,129,191,019
Movements for the year ended 31 December 2017											
Total comprehensive income											
Net profit		-	-	-	-	-	-	825,388,312	825,388,312	3,247,723	828,636,035
Other comprehensive income	4(31)	-	-	-	(2,705,028)	-	-	-	(2,705,028)	-	(2,705,028)
Total comprehensive income		-	-	-	(2,705,028)	-	-	825,388,312	822,683,284	3,247,723	825,931,007
Capital increase or decrease from shareholder		97,511,654	356,979,901	(417,349,879)	-	-	-	-	37,141,676	-	37,141,676
Share-based payments		97,511,654	328,032,920	(417,349,879)	-	-	-	-	8,194,695	-	8,194,695
Shareholders’ Interest-free borrowing		-	28,946,981	-	-	-	-	-	28,946,981	-	28,946,981
Profit distribution		-	-	-	-	-	32,084,102	(239,617,658)	(207,533,556)	(2,488,500)	(210,022,056)
Appropriation to surplus reserve	4(33)	-	-	-	-	-	32,084,102	(32,084,102)	-	-	-
Distribution to the shareholders	4(34)	-	-	-	-	-	-	(207,533,556)	(207,533,556)	(2,488,500)	(210,022,056)
Special reserve		-	-	-	-	(2,618,535)	-	-	(2,618,535)	-	(2,618,535)
Special reserve appropriated	4(32)	-	-	-	-	7,831,127	-	-	7,831,127	-	7,831,127
Special reserve used	4(32)	-	-	-	-	(10,449,662)	-	-	(10,449,662)	-	(10,449,662)
Internal transfer of shareholders' equity		311,300,333	(311,300,333)	-	-	-	-	-	-	-	-
Capital reserve to share capital		311,300,333	(311,300,333)	-	-	-	-	-	-	-	-

Balance at 31 December 2017	2,484,147,547	1,306,381,765	(417,349,879)	1,948,943	3,224,938	920,592,332	4,159,642,227	8,458,587,873	321,035,238	8,779,623,111

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 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	Attributable to shareholders of parent company					
Item	Share capital	Capital surplus	Less: Treasury share	Surplus reserve	Undistributed profits	Total shareholders' equity
Balance at 31 December 2015	2,075,335,560	1,404,803,407	-	873,667,690	806,232,151	5,160,038,808
Prior period accounting error correction	-	-	-	(342,000)	(3,078,000)	(3,420,000)
Balance at 1 January 2016（Restated)	2,075,335,560	1,404,803,407	-	873,325,690	803,154,151	5,156,618,808
Movements for the year ended 31 December 2016						
Total comprehensive income						
Net profit	-	-	-	-	297,279,004	297,279,004
Other comprehensive income	-	-	-	-	-	-
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)
Balance at 31 December 2016 (Restated)	2,075,335,560	1,405,529,511	-	903,053,590	448,104,587	4,832,023,248
Balance at 1 January 2017(Restated)	2,075,335,560	1,405,529,511	-	903,053,590	448,104,587	4,832,023,248
Movements for the year ended 31 December 2017						
Total comprehensive income						
Net profit	-	-	-	-	320,841,025	320,841,025
Total comprehensive income	-	-	-	-	320,841,025	320,841,025
Capital increase or decrease from shareholder	97,511,654	356,979,901	(417,349,879)	-	-	37,141,676
Share-based payments	97,511,654	328,032,920	(417,349,879)	-	-	8,194,695
Shareholders' Interest-free borrowing	-	28,946,981	-	-	-	28,946,981
Profit distribution	-	-	-	32,084,102	(239,617,658)	(207,533,556)
Appropriation to surplus reserve	-	-	-	32,084,102	(32,084,102)	-
Distribution to the shareholders	-	-	-	-	(207,533,556)	(207,533,556)
Capital reserve to share capital	311,300,333	(311,300,333)	-	-	-	-
Balance at 31 December 2017	2,484,147,547	1,451,209,079	(417,349,879)	935,137,692	529,327,954	4,982,472,393

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

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

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 2017, the registered capital was RMB2,484,147,547, 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-grade 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 6(1).

The financial statements were authorised for issue by the Board of Directors on 20 April 2018.

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 Property,plant and equipmentand intangible assets (Note 2(13) and (16)), criteria for determining capitalised development expenditure (Note 2(16)), and timing for revenue recognition (Note 2(24)).

Please see Note 2(30) for the key judgements adopted by the Group in applying important accounting policies.

(7) 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.

As at 31 December 2017, the Group current liabilities exceed current assets about RMB2.52 billion and committed capital expenditure of about RMB 0.15 billion (Note 11(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 2017, the net cash inflow from operation activities is approximately RMB2.463 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 2017, the Group had unutilised banking facilities of approximately RMB4.00 billion, among which long-term banking facilities were about RMB0.57billion. 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 RMB1.610 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

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

(2) Basis of preparation (Cont'd)

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.

(8) tatement of compliance with the *Accounting Standards for Business Enterprises*

The financial statements of the Company for the year ended 31 December 2017 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 2017 and their financial performance, cash flows and other information for the year then ended.

(9) ccounting year

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

(10) ecording currency

The recording currency is Renminbi (RMB).The economic environment of subsidiaries (China Southern Glass(Hong Kong) Limited, Hong Kong Southern Glass Trading co., Limited) determines their recording currency is Hongkong dollar. This report 's recording currency is Renminbi (RMB).

(11) usiness 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 book value. The difference between book value of the net assets obtained from the combination and book value 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 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.

(12) reparation 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.

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 transaction

(a) Foreign currency transaction

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

(8) Foreign currency transaction (Cont'd)

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.

(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 2017.

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.

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

(9) Financial instrument (Cont'd)

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.

(a) Financial assets

(iii) Impairment of financial assets

The Group assesses book values 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 Checkion 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 book value 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.

(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 book value 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.

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

(12) 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 book values which is trade amount cut the write-off receivables and related tax expenses charged into the income statement.

(13) Inventories

(f) 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.

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

(11) Inventories (Cont'd)

(g) 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.

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

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

(i) 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 book values 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.

(j) The Group adopts the perpetual inventory system.

(17) 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.

(e) 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..

(f) 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 book values 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. Book value 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.

(g) 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.

(h) Impairment of long-term equity investments

Book value of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than book value (Note 2(18)).

(18) Fixed assets

(e) 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 measured at cost at the acquisition date.

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. Book value 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.

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

(f) 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.

(g) Book value of a fixed asset is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (18)).

(h) 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.

(19) 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.

Book value of construction in progress is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (18)).

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

(20) 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.

(21) Intangible assets

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.

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

(19) 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

Book value of intangible assets is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (18)).

(20) 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.

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

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

(20) 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, book value 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 book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from book values of other assets within the asset groups or groups of asset groups in proportion to book values 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.

(21) 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.

(d) 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.

(e) 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)

(33) Employee benefits (Cont'd)

(f) 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.

(34) Dividend distribution

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

(35) 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.

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

(36) 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.

Book value 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.

(37) Share-based payments

Share-based payments are divided into equity-settled and cash-settled payments. The term "equity-settled share-based payment" refers to a transaction in which an enterprise grants shares or other equity instruments as a consideration in return for services.

Equity-settled share-based payment The Group‘s stock optionstock option plan is the equity-settled share-based payment in exchange of employees' services and is measured at the fair value of the equity instruments at grant date. The equity instruments are exercisable after services in vesting period are completed or specified performance conditions are met. In the vesting period, the services obtained in current period are included in relevant cost and expenses at the fair value of the equity instruments at grant date based on the best estimate of the number of exercisable equity instruments, and capital surplus is increased accordingly. If the subsequent information indicates the number of exercisable equity instruments differs from the previous estimate, an adjustment is made and, on the exercise date, the estimate is revised to equal the number of actual vested equity instruments. The Group determines the fair value of stock optionstock options using option pricing model, which is Black-Scholes option pricing model (B-S model).

In the period at which performance conditions and term of service are met, the relevant cost and expenses of equity-settled payment should be recognized, and capital surplus is increased accordingly. Before the exercise date, the accruing amounts of equity-settled payments on balance sheet date reflect the part of expired waiting period and optimal estimation for the number of the Company final vested equity instruments.

If the non-market conditions and term of service are not met so that share-based payment fail to exercise, the costs and expenses on this portion should not be recognized. If the share-based payment agreement sets out the market conditions and term of non-vesting, as long as performance conditions and term of service are met, it is should be regard as exercisable right, no matter the market conditions and non-vesting conditions are meet or not.

If the terms of equity-settled payment are modified, at least the service is confirmed in accordance with the unmodified terms. In addition, the increase of the fair value of the authorized equity instruments, or the beneficial changes to the employees on the modification date, the increase of service are confirmed.

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

(23) Share-based payments (Cont'd)

If the equity-settled payment is cancelled, the cancellation date shall be deemed as an expedited exercise, and the unconfirmed amount shall be confirmed immediately. If the employee or other party is able to choose to meet the non-vesting conditions but not satisfied in the waiting period, equity-settled payment should be cancelled. But if a new equity instrument is granted, and the new equity instrument is confirm to replace the old equity instrument which is canceled in the authorization date of the new equity instrument, the new equity instrument should be disposed by using the same conditions and terms of the old equity instrument for modifications

(38) 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.

(39) 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.

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.

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

(25) Government grants (Cont'd)

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.The company use the same method of presentation for similar government grants.

The ordinary activitiy government grants should be counted into operating profits; the government grants which not belong ordinary activities should be counted inton non-operationg income.

(40) 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.

(41) Assets classified as 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 to terms that are traditionally and customary for sales; (2) the Group has made a resolution and obtained appropriate approval for disposal of the non-current asset or the disposal group, and 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 book value. 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.

The discontinued operation profits on income statement presentation have included the profits and loss of operation and disposal.

(42) 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:

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

(28) Safety production costs

(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.

(43) 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.

(44) Critical accounting estimates and judgements

The Group continually Estimates 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 book values 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

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

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

(b) Deferred income tax (Cont'd)

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.

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 book value of fixed assets on balance sheet.

(e) Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, and future cash flow from each CGU or CGUs is forcasted and discounted with appropriate discount rate.

(45) Significant changes in accounting policies

In 2017, the Ministry of Finance released the "Accounting Standard for *Business Enterprises No. 42—Non-current Assets* or Disposal Groups Held for Sale and Discontinued Operations", revised "Accounting Standard for *Business Enterprises No. 16—Government Grants"* and the "Circular on Amendment to Formats of Financial Statements of General Industry" and its interpretation (Cai Kuai [2017] 30). The financial statements are prepared in accordance with the above standards and circular, and impacts are as follows:

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

(31) Significant changes in accounting policies (Cont'd)

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected
The Company and its subsidiaries recorded the VAT return obtained and other government grants related to ordinary activities in 2017 in other income. The comparatives as at 31 December 2016 were not	N/A	N/A

restated		
		2016
The Company and its subsidiaries recorded the gains or losses on disposals of fixed assets occurred in 2017, in loss on disposals of assets. The comparatives as at 31 December 2016 were restated accordingly	Income on disposal assets Non-operating income Non-operating expense	(1,759,358) 1,551,302 (3,310,660)
The Company's assets for sale in 2017 is presented separately. The comparative financial statement at 31 December 2016 is not presented	N/A	N/A

(46) Prior period accounting error correction

b. Matter descreption

During the preparation of the current financial statements, the company discovered that: On December 10, 2012, the People's Government of Yichang City and the Company signed the Cooperation Agreement on Fine Glass and Ultrathin Electronic Glass Project (hereinafter referred to as the "original agreement");Two supplemental agreements were formed based on the original agreement: On March 20, 2013, the People's Government of Yichang and the Company signed a supplementary agreement (I) 《Cooperation Agreement on Fine Glass and Ultra-thin Electronic Glass Projects》、 December 30, 2013 Yichang High and new technology development zone management committee and the company signed a supplementary agreement (II) 《Cooperative Agreement on Fine Glass and Ultrathin Electronic Glass Projects》. The main contents of the supplementary agreement (II) are as follows:

The management committee of Yichang High-tech Industrial Development Zone agreed to establish a RMB 171 million talent fund for the company's mid- to senior-level management、 engineering and technical personnel and senior professional mechanics who be introduced to Yichang, as a special fund subsidy for the introduction of talents and the placement of talented people. The company is responsible for formulating the housing resettlement subsidy program and supervising the use of this special fund.

According to the agreement, the company entrusted the wholly-owned subsidiary Yichang CSG Silicon Material Co., Ltd. to collect the fund, and the management committee of Yichang High-tech Industrial Development Zone fully allocated to Yichang CSG Silicon Material Co., Ltd.

The funds were subsidized by the government to the company, but Yichang CSG Silicon Material Co., Ltd. received this amount and transferred it to Yichang Hongtai Real Estate Co., Ltd. in full amount without proper approval from the company's board of directors and other relevant authorities. (Yichang Hongtai Real Estate Co., Ltd. is a company jointly indirect controlled by part of the former natural executives of the company. The company has no equity relationship with the company. For details of the company, see Note 8(4)).

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

(32) Prior period accounting error correction (Cont'd)

b. Accounting treatment

Yichang CSG Silicon Material Co., Ltd. received the above fund from February 21, 2014 to April 28, 2014, and transferred it to Yichang Hongtai Real Estate Co., Ltd. in full and also handled the accounting treatment according to the collecting and paying. The Company did not conduct any accounting treatment and report disclosure in consolidated Statements.

According to the relevant provisions of the "Accounting Standards for Business Enterprises - Government Subsidies", the company believes that the special funds in the above agreement constitute a government subsidy, and the government subsidy related to income should be confirmed in the financial statements of the corresponding accounting period, recognition of expense at the same time carring forward the profits and loss of the current.Therefore, the company in the current period Items were corrected for accounting errors.

c. Impact on the financial statements

The Group and the Company made retrospective adjustments to the above accounting errors. In the consolidated balance sheet, other receivables were increased by RMB171,000,000 as of December 31, 2016 (January 1, 2016: RMB171,000,000). December 2016 On the 31st, other receivables - bad debt provisions were increased by 3,420,000 yuan (January 1, 2016: RMB3,420,000), and deferred income was increased by 171 million yuan (December 1, 2016: RMB171 million) on December 31, 2016. As of December 31, 2016, the surplus reserve was reduced by RMB342,000 (January 1, 2016: RMB 342,000). As of December 31, 2016, the undistributed profit was reduced by RMB 3,078,000 (January 1, 2016: RMB 3,078,000).

In the company's balance sheet, other receivables were increased by RMB171,000,000 (December 1, 2016: RMB171,000,000) as of December 31, 2016, and other receivables – provision for bad debts increased by RMB3,420,000 (December 31, 2016) (January 1, 2016: RMB3,420,000), 20 yuan December 31, 2016 deferred income increased by RMB171,000,000 (January 1, 2016: RMB171,000,000), December 31, 2016 surplus reserve decreased by RMB342,000 (January 1, 2016: RMB342,000), Undistributed profits decreased by RMB3,078,000 (December 1, 2016: RMB 3,078,000) as of December 31, 2016.

4 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”) (a)	Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period)	6% to 17%
City maintenance and construction tax	VAT paid	1% to 7%
Educational surcharge	VAT paid	3% to 5%
Resource tax	Silica sold Sales	6.5%

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

3 Taxation (Cont’d)

(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 2017 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 2017.

Dongguan CSG Solar Glass Co., Ltd. ("Dongguan CSG Solar") passed review on a high and new tech enterprise in 2017 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 2017.

Yichang CSG Silicon Co., Ltd. ("Yichang CSG Silicon") passed review on a high and new tech enterprise in 2017 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 2017.

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 2017, 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 2017.

Xianning CSG Glass Co Ltd. ("Xianning CSG") was recognised as a high and new tech enterprise in 2017, 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 2017.

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.

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.

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"), Zhangzhou CSG Kibing PV Energy Co., Ltd. ("Zhangzhou CSG"), Heyuan CSG Kibing PV Energy Co., Ltd. ("Heyuan CSG"), Shaoxing CSG Kibing PV Energy Co., Ltd. ("Shaoxing CSG") 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, Zhangzhou CSG, Heyuan CSG and Shaoxing CSG started operation in 2017. 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.

4 Notes to the consolidated financial statements

(4) Cash at bank and on hand

	31 December 2017	31 December 2016
Cash on hand	36,182	17,239
Cash at bank	2,409,716,983	584,549,751
Other cash balances	52,852,599	2,236,515
	2,462,605,764	586,803,505
Including: Total overseas deposits	24,049,075	12,956,226

Other cash balances include margin deposits for issuing letters of credit and applying loans, amounting to RMB2,852,599 (31 December 2016: RMB2,236,515), which is restricted cash.

(5) Notes receivable

	31 December 2017	31 December 2016
Trade acceptance notes	329,405,579	317,789,825
Bank acceptance notes	222,826,841	138,557,412
	552,232,420	456,347,237

(a) As at 31 December 2017, 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	-	179,023,725
Bank acceptance notes	3,154,733,678	-
	3,154,733,678	179,023,725

(6) Accounts receivable

	31 December 2017	31 December 2016
Accounts receivable	660,150,357	644,454,374
Less: Provision for bad debts	(21,912,067)	(16,468,391)
	638,238,290	627,985,983

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

(3) Accounts receivable (Cont'd)

(d) The ageing of accounts receivable is analysed as follows:

	31 December 2017	31 December 2016
Within 1 year	639,294,320	628,822,515
1 to 2 years	8,343,672	15,585,397
2 to 3 years	12,512,365	-
Over 3 years	-	46,462
	660,150,357	644,454,374

As at 31 December 2017, accounts receivable of RMB93,961,486 (31 December 2016: RMB50,609,529) 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 2017	31 December 2016
Within 1 year	86,358,511	47,568,459
1 to 2 years	7,448,217	3,041,070
2 to 3 years	154,758	
	93,961,486	50,609,529

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

	31 December 2017				31 December 2016			
	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	636,614,136	96%	(12,233,039)	2%	631,863,585	98%	(12,187,534)	2%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	23,536,221	4%	(9,679,028)	41%	12,590,789	2%	(4,280,857)	34%
	660,150,357	100%	(21,912,067)	3%	644,454,374	100%	(16,468,391)	3%

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

(3) Accounts receivable (Cont'd)

(f) Provision for bad debts provided on grouping basis using the percentage of provision method is analysed as follows:

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	636,614,136	(12,233,039)	2%	631,863,585	(12,187,534)	2%
	636,614,136	(12,233,039)	2%	631,863,585	(12,187,534)	2%

(h) As at 31 December 2017, 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 2016: Nil).

(i) As at 31 December 2017, accounts receivable of RMB23,536,221 (31 December 2016: RMB12,590,789) 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.

(j) Accounts receivables of RMB117,931 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.

(k) As at 31 December 2017, 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	104,847,077	(2,096,942)	16%

(7) Advances to suppliers

(c) The ageing of prepayment is analysed below:

	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	130,813,397	91%	80,819,387	84%
1 to 2 years	264,952	-	14,913,745	16%
2 to 3 years	12,769,674	9%	-	-
	143,848,023	100%	95,733,132	100%

As at 31 December 2017, advances to suppliers over 1 year with a carrying amount of RMB13,034,626 (31 December 2016: RMB14,913,745) were mainly advances paid for materials, which were not fully settled since the materials had not been received.

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

(4) Advances to suppliers (Cont'd)

(d) As at 31 December 2017, the five largest prepayment are analysed as follows:

	Balance	Percentage in total advances to suppliers balance
Total balances for the five largest advances to suppliers	53,034,242	37%

(8) Other receivables

	31 December 2017	31 December 2016
Receivables from related parties (Note 8(5))	171,000,000	171,000,000
Refundable deposits	16,957,562	6,121,403
Payments made on behalf of other parties	19,306,658	25,019,422
Petty cash	875,714	959,785
Export tax rebates receivable	-	755,372
Others	2,319,489	1,047,235
	210,459,423	204,903,217
Less: Provision for bad debts	(4,520,404)	(4,094,068)
	205,939,019	200,809,149

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

	31 December 2017	31 December 2016
Within 1 year	22,924,535	19,918,108
1 to 2 years	2,813,012	11,275,420
2 to 3 years	11,211,511	171,903,685
3 to 4 years	171,855,888	123,670
4 to 5 years	86,395	1,156,315
Over 5 years	1,568,082	526,019
	210,459,423	204,903,217

As at 31 December 2017, other receivables of RMB2,510,365 (31 December 2016: RMB1,806,004) 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.

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

(5) Other receivables (Cont'd)

(h) Other receivables are analysed by categories as follows:

	31 December 2017				31 December 2016			
	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	39,136,518	19%	(777,499)	2%	33,903,217	17%	(674,068)	2%
Portfolio 2	171,000,000	81%	(3,420,000)	2%	171,000,000	83%	(3,420,000)	2%
Not individually significant but provided for bad debts separately	322,905	-	(322,905)	100%				
	210,459,423	100%	(4,520,404)	2%	204,903,217	100%	(4,094,068)	2%

(i) The reason why not individually significant but provided for bad debts separately is the payment is not recoverable over 5 years.

(j) The other receivables actually written off during the year amounted to RMB199,796, which was due to small receivables and non-related transactions. The reasons for write-off include business disputes or failure to contact the debtor and result in uncollectible payments.

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

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	39,136,518	(777,499)	2%	33,903,217	(674,068)	2%
Portfolio 2	171,000,000	(3,420,000)	2%	171,000,000	(3,420,000)	2%
	210,136,518	(4,197,499)	2%	204,903,217	(4,094,068)	2%

(l) As at 31 December 2017, 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
Company A	Independent third party	171,000,000	3 to 4 Years	81%	3,420,000
Governmental departmentB	Independent third party	11,067,754	2 to3 Years	5%	221,355
Company C	Independent third party	5,000,000	Within 1 year	2%	100,000
Company D	Independent third party	3,717,415	Within 1 year	2%	74,348

Company E	Independent third party	3,350,000	Within 1 year	2%	67,000
		194,135,169		92%	3,882,703

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

(9) Inventories

(a) Inventories are summarised by categories as follows:

	31 December 2017			31 December 2016		
	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	213,348,012	(1,447,590)	211,900,422	166,639,254	(2,025,446)	164,613,808
Work in progress	45,614,905	-	45,614,905	18,893,651	-	18,893,651
Finished goods	387,489,714	(68,974)	387,420,740	274,559,889	(6,347,741)	268,212,148
Turnover materials	40,959,250	-	40,959,250	26,061,318	-	26,061,318
	687,411,881	(1,516,564)	685,895,317	486,154,112	(8,373,187)	477,780,925

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

	31 December 2016	Increase in current year	Reversal in current year	31 December 2017
Finished goods	6,347,741	68,974	(6,347,741)	68,974
Raw materials	2,025,446	-	(577,856)	1,447,590
	8,373,187	68,974	(6,925,597)	1,516,564

(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

(7) Assets classified as held for sale

Item	carrying amounts at the end of period	Fair value	Estimated disposal costs	Estimated disposal time
Intangible assets	15,048,314	18,390,394		June of 2018
Construction in progress	30,935,206	37,805,606		June of 2018
	45,983,520	56,196,000	-	

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 2017, the transfer of propery rights had not been finalised.

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

(8) Other current assets

	31 December 2017	31 December 2016
VAT to be offset	181,667,326	150,317,894
Assets classified as held for sale	-	40,049,163
Enterprise income tax prepaid	1,132,508	1,325,723
VAT input to be recognised	18,048,155	8,212,797
	200,847,989	199,905,577

(10) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Total
Cost				
31 December 2016	3,911,336,527	11,699,296,248	201,923,067	15,812,555,842
Increase in current year				
Acquisition	4,924,460	18,947,748	7,467,964	31,340,172
Transfers from construction in progress (Note 4(10))	94,982,205	1,338,373,278	5,515,375	1,438,870,858
Adjustment of completion settlement	738,830	19,721,695	238,675	20,699,200
Decrease in current year				
Disposal or retirement	(8,917,927)	(52,049,454)	(6,203,870)	(67,171,251)
Transfer to construction in progress	(3,695,395)	(561,466,255)	(648,454)	(565,810,104)
31 December 2017	3,999,368,700	12,462,823,260	208,292,757	16,670,484,717
Accumulated depreciation				
31 December 2016	629,946,237	3,287,606,208	172,265,020	4,089,817,465
Increase in current year				
Provision	124,679,206	833,507,101	22,395,614	980,581,921
Decrease in current year				
Disposal or retirement	(1,211,382)	(13,892,180)	(5,723,521)	(20,827,083)
Transfer to construction in progress	(1,895,250)	(198,327,057)	(387,830)	(200,610,137)
31 December 2017	751,518,811	3,908,894,072	188,549,283	4,848,962,166

Provision for impairment loss

31 December 2016	-	264,765,386	-	264,765,386
Provision	10,580,861	25,679,443		36,260,304
Disposal or retirement		(20,272,836)		(20,272,836)
31 December 2017	10,580,861	270,171,993		280,752,854

Carrying amount

31 December 2017	3,237,269,028	8,283,757,195	19,743,474	11,540,769,697
31 December 2016	3,281,390,290	8,146,924,654	29,658,047	11,457,972,991

In 2017, the depreciation amount provided for fixed assets was RMB980,581,921 (2016: RMB891,257,741), and the amount of depreciation expenses charged to cost of sales, selling and distribution expenses, general and administrative expenses and construction in progress was RMB890,575,701, RMB 970,739 , RMB 65,929,139 and RMB 23,106,342 (2016：RMB 819,298,731, RMB 979,874, RMB 59,067,087 and RMB 11,912,049) respectively.

In 2017, the cost of fixed assets transferred from construction in progress amounted to RMB 1,438,870,858 (2016: RMB1,281,171,543).

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

Fixed assets (Cont'd)

(b) Fixed assets with pending certificates of ownership

	Carrying amount	Reasons for not yet obtaining certificates of title
Buildings	893,119,983	Have submitted the required documents and are in the process of application, or the related land use right certificate pending

(12) Construction in progress

	31 December 2017			31 December 2016		
	Carrying amount	Provision for impairment loss	Carrying amount	Carrying amount	Provision for impairment loss	Carrying amount
Xianning CSG Photoelectric Glass project	400,665,493	-	400,665,493	41,267,876	-	41,267,876
Yichang display device company flat panel display project	298,794,622	(14,160,474)	284,634,148	274,342,571	(14,160,474)	260,182,097
Yichang Optoelectronic Technology Reform Project	242,055,237	-	242,055,237	-	-	-
Hebei float 600T tech-innovation project	113,762,853	-	113,762,853	-	-	-
Zhanjiang Photovoltaic 20MV Step-by-step Photovoltaic Power Plant Project	100,570,104	-	100,570,104	8,855,560	-	8,855,560
Dongguan Solar Glass Phase I and II improvement project	78,970,995	(40,248,018)	38,722,977	78,970,995	(33,075,116)	45,895,879

Wujiang energy glass expansion project	72,600,518	(19,876,460)	52,724,058	70,178,986	(19,876,460)	50,302,526
Yichang 1GW silicon slice project	43,617,802	-	43,617,802	95,011,027	-	95,011,027
LED Sapphire Substrate Project	30,886,629	(19,303,853)	11,582,776	29,472,040	-	29,472,040
Wujiang Photovoltaic Packaging Materials Project	7,414,854	-	7,414,854	1,583,553	-	1,583,553
Yichang 5000T electronic-grade polysilicon project	943,396	-	943,396	171,211,288	-	171,211,288
Heyuan Kibing PV tech 11MV distributed generation project	2,267,345	-	2,267,345	85,126,446	-	85,126,446
Dongguan PV Tech 200MW PV-tech Battery Expansion project	1,179,935	-	1,179,935	8,224,072	-	8,224,072
Hebei float 900T tech-innovation project	-	-	-	388,627,081	-	388,627,081
Chengdu float 550T line tech-renovation	-	-	-	102,304,740	-	102,304,740
Qingyuan high-performance ultrathin electronic glass project	-	-	-	1,034,372	-	1,034,372
Sichuan energy-saving project Phase III	-	-	-	13,005,928	-	13,005,928
Others	117,889,623	(405,983)	117,483,640	59,991,892	-	59,991,892
	1,511,619,406	(93,994,788)	1,417,624,618	1,429,208,427	(67,112,050)	1,362,096,377

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

(10) Construction in progress (Cont'd)

(c) Movement of significant project

Project name	Budget	31 December 2016	Increase in current year	Transfer to fixed assets in current year	Other decreases in current year	31 December 2017	Proportion between engineering input and budget (i)	Amount of borrowing costs capitalised in 2017	Including: Amount of borrowing costs capitalised in 2017	Capitalisation rate for in current year	Source of fund
Xianning CSG Photoelectric Glass project	510,000,000	41,267,876	371,315,353	(11,692,808)	(224,928)	400,665,493	81%	7,770,613	7,770,613	4.75%	Internal fund and bank loan
Yichang CSG flat panel display project	1,970,000,000	274,342,571	68,678,108	(44,226,057)	-	298,794,622	81%	4,144,159	3,146,516	4.20%	Internal fund and bank loan
Yichang Optoelectronic Technology Reform Project	258,296,536	-	242,055,237	-	-	242,055,237	60%	-	-	-	Internal fund and bank loan
Hebei float 600T tech-innovation project	129,180,000	-	121,809,135	(284,860)	(7,761,422)	113,762,853	1%	-	-	-	Internal fund
Zhanjiang Photovoltaic 20MV Step-by-step Photovoltaic Power Plant Project	133,000,000	8,855,560	91,714,544	-	-	100,570,104	96%	2,280,097	2,280,097	5.74%	Internal fund and bank loan
Dongguan Solar Glass Phase I and II improvement project	396,410,000	78,970,995	-	-	-	78,970,995	80%	-	-	-	Internal fund
Wujiang energy glass expansion project	845,630,000	70,178,986	3,279,395	(676,165)	(181,698)	72,600,518	99%	20,120,444	-	-	Internal fund
Yichang 1GW silicon slice project	1,073,209,600	95,011,027	361,731,413	(413,124,638)	-	43,617,802	36%	8,629,993	8,083,768	4.79%	Internal fund and bank loan
LED Sapphire Substrate Project	35,000,000	29,472,040	2,696,640	(1,282,051)	-	30,886,629	88%	4,650,543	899,966	4.78%	Internal fund and bank loan
Wujiang Photovoltaic Packaging Materials Project	520,100,000	1,583,553	7,288,394	(1,457,093)	-	7,414,854	87%	-	-	-	Internal fund and bank loan
Yichang 5000T electronic-grade	698,396,700	171,211,288	45,733,419	(216,001,311)	-	943,396	26%	8,453,998	5,244,463	4.44%	Internal fund and

polysilicon project											bank loan
Heyuan Kibing PV tech 11MV distributed generation project	91,600,000	85,126,446	3,577,331	(77,641,121)	(8,795,311)	2,267,345	93%	325,704	325,704	5.00%	Internal fund
Dongguan PV Tech 200MW PV-tech Battery Expansion project	697,000,000	8,224,072	49,163,936	(56,208,073)	-	1,179,935	100%	32,417,335	401,535	4.80%	Internal fund and bank loan
Hebei float 900T tech-innovation project	124,000,000	388,627,081	3,816,268	(392,210,090)	(233,259)	-	100%	4,211,893	1,057,593	4.94%	Internal fund and bank loan
Chengdu float 550T line tech-renovation	200,000,000	102,304,740	57,840,038	(160,144,778)	-	-	100%	306,663	306,663	4.60%	Internal fund and bank loan
Qingyuan high-performance ultrathin electronic glass project	471,660,000	1,034,372	-	-	(1,034,372)	-	100%	-	-	-	Internal fund and bank loan
Sichuan energy-saving project Phase III	222,817,517	13,005,928	-	(10,119,658)	(2,886,270)	-	100%	-	-	-	Internal fund
Others	2,657,421,716	59,991,892	111,879,886	(53,802,155)	(180,000)	117,889,623		339,257	339,257	4.15%	Internal fund and bank loan
	11,033,722,069	1,429,208,427	1,542,579,097	(1,438,870,858)	(21,297,260)	1,511,619,406		93,650,699	29,856,175		

(j) 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 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

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

(10) Construction in progress (Cont'd)

(d) Provision for impairment of construction in progress

Project name	31 December 2016	Increase in current year	Decrease in current year	31 December 2017	Reason for provision
Dongguan Solar Glass Phase I and II improvement project	33,075,116	7,172,902	-	40,248,018	-
Wujiang float glass project	19,876,460	-	-	19,876,460	-
Yichang CSG Display panel display project	14,160,474	-	-	14,160,474	-
LED Sapphire Substrate Project	-	19,303,853	-	19,303,853	-
Others	-	405,983	-	405,983	-
	67,112,050	26,882,738	-	93,994,788	-

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

(13) Intangible assets and development expenditure

	Land use rights	Patents and proprietary technologies	Exploitation rights	Others	Total
Cost					
31 December 2016	1,026,603,700	199,922,986	4,456,536	23,548,047	1,254,531,269
Acquisition in current year	-	2,966,502	-	12,558,663	15,525,165
Transfers from development expenditure in current year	-	43,122,431	-	-	43,122,431
31 December 2017	1,026,603,700	246,011,919	4,456,536	36,106,710	1,313,178,865
Accumulated amortisation					
31 December 2016	128,007,677	57,225,743	3,306,083	20,322,309	208,861,812
Provision in current year	21,049,588	17,759,493	400,641	4,674,444	43,884,166
31 December 2017	149,057,265	74,985,236	3,706,724	24,996,753	252,745,978
Provision for impairment loss					
31 December 2016	-	13,201,347	-	9,133	13,210,480
31 December 2017	-	13,201,347	-	9,133	13,210,480
Carrying amount					
31 December 2017	877,546,435	157,825,336	749,812	11,100,824	1,047,222,407
31 December 2016	898,596,023	129,495,896	1,150,453	3,216,605	1,032,458,977

In 2017, the amortisation of intangible assets amounted to RMB43,884,166 (2016: RMB36,907,548).

As at 31 December 2017, ownership certificates of land use rights ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB5,473,442 (cost: RMB6,586,712) had not yet been obtained by the Group (31 December 2016: carrying amount: RMB5,718,191, cost: RMB 6,586,712). 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.

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

(17) Intangible assets and development expenditure (Cont'd)

Research expenditure is analysed below:

	31 December 2016	Increase in current year	Decrease in current year		31 December 2017
			Recognised as expense	Recognised as intangible assets	
Development costs	66,927,714	37,560,254		(43,122,431)	61,365,537

In 2017, the total amount of research and development expenditures of the Group was RMB 368,237,629 (2016: RMB 341,553,966), including RMB 330,677,375 (2016: RMB 285,129,442) recorded in income statement for current period and the research and development expenditure with the amount of RMB 43,122,431 recognised as intangible assets for the current period (2016: 23,213,785). As at 31 December 2017, the intangible assets arising from internal research and development accounted for 12.37 % of total of intangible assets (31 December 2016: 9.51 %).

(18) Goodwill

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
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
	397,392,156			397,392,156

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 2017.

The recoverable amount of asset groups is determinded 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 forcasted 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.

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

(19) Deferred tax assets and liabilities

(a) Deferred tax assets before offsetting

	31 December 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for asset impairments	361,149,562	55,552,592	410,272,182	61,899,046
Tax losses	133,658,792	24,457,319	164,790,392	28,883,903
Government grants	128,189,967	20,424,022	129,722,993	20,654,199
Accrued expenses	50,193,405	7,529,011	81,018,069	12,352,386
Depreciation of fixed assets	33,762,174	8,000,331	28,241,461	6,320,146
Share payment	5,196,945	867,677	-	-
	712,150,845	116,830,952	814,045,097	130,109,680

	31 December 2017	31 December 2016
Including:		
Expected to be reversed within one year (inclusive)	33,751,219	33,957,444
Expected to be reversed after one year	83,079,733	96,152,236
	116,830,952	130,109,680

(b) Deferred tax liabilities before offsetting

	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Depreciation of fixed assets	371,115,284	56,874,044	396,118,583	63,406,963

	31 December 2017	31 December 2016
Including:		
Expected to be reversed within one year (inclusive)	4,247,230	3,342,336
Expected to be reversed after one year	52,626,814	60,064,627
	56,874,044	63,406,963

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 2017	31 December 2016
Deductible losses	425,759,321	342,455,782

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 2017	31 December 2016
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	111,625,585
2022	83,303,539	-
	425,759,321	342,455,782

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

	31 December 2017		31 December 2016	
	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	80,872,862	472,134,707	96,451,854	565,834,538
Deferred tax liabilities	20,915,954	131,099,146	29,749,137	147,908,024

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

(20) Other non-current assets

	31 December 2017	31 December 2016
Prepayment for equipment and software upgrading expenses	45,431,352	69,945,550
VAT input to be offset	-	10,718,843
Prepayment for lease of land use rights	6,510,000	6,510,000
	51,941,352	87,174,393

(21) Provision for asset impairment

	31 December 2016	Increase in current year	Reversal in current year	Written off in current year	31 December 2017
Provision for bad debts	20,562,459	9,498,129	(3,310,390)	(317,727)	26,432,471
Including: Provision for bad debts of accounts receivable	16,468,391	8,845,491	(3,283,884)	(117,931)	21,912,067
Provision for bad debts of other receivables	4,094,068	652,638	(26,506)	(199,796)	4,520,404
Provision for decline in the value of inventories	8,373,187	68,974		(6,925,597)	1,516,564
Provision for impairment of fixed assets	264,765,386	36,260,304		(20,272,836)	280,752,854
Provision for impairment of construction in progress	67,112,050	26,882,738		-	93,994,788
Provision for impairment of intangible assets	13,210,480	-	-	-	13,210,480
	374,023,562	72,710,145	(3,310,390)	(27,516,160)	415,907,157

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

(22) Short-term borrowings

	31 December 2017	31 December 2016
Ultra-short-term financial bonds (i)	-	2,000,000,000
Unsecured	2,691,732,609	1,650,251,293
Guaranteed (ii)	1,012,898,300	367,618,369
	3,704,630,909	4,017,869,662

(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 2 Augest 2016, the Company issued the Phase III ultra-short-term financial bonds of RMB600,000,000 for 2016, with the maturity data of May 1 2017 and annual rate of 3.67%. As at the reporting date, such Ultra-short-term bonds had been repaid.

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 3.5%. As at the reporting date, such ultra-short-term bonds had been repaid.

(ii) As at 31 December 2017, the Company provided its subsidiaries with guarantee for the short-term borrowings of RMB1,012,898,300 (31 December 2016: RMB367,618,369), and the Company had no counter guarantee from minority shareholders of subsidiaries (31 December 2016: Nil).

(iii) As at 31 December 2017, the interest of short-term borrowings varied from 2.70% to 5.66% (31 December 2016: 2.70% to 4.79%).

(28) Notes payable

	31 December 2017	31 December 2016
Bank acceptance notes	213,401,622	20,000,000

All notes payable are due within one year.

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

(29) Accounts payable

	31 December 2017	31 December 2016
Materials payable	798,178,206	747,769,987
Equipment payable	329,926,045	233,779,329
Construction expenses payable	167,394,038	100,246,462
Freight payable	61,671,023	40,916,380
Utilities payable	35,973,405	44,602,055
Others	7,023,325	2,555,157
	1,400,166,042	1,169,869,370

As at 31 December 2017, the amount of accounts payable over 1 year was approximately RMB160,638,075 (31 December 2016: RMB140,385,720), 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.

(30) Advances from customers

	31 December 2017	31 December 2016
Advances for goods from customers	195,563,465	142,330,979

The ageing of balances was substantively within 1 year.

(31) Employee benefits payable

	31 December 2017	31 December 2016
Short-term employee benefits payable (a)	272,144,440	193,166,719
Defined contribution plans payable (b)	26,220	205,520
	272,170,660	193,372,239

(a) Short-term employee benefits

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Wages and salaries, bonus, allowances and subsidies	159,601,219	1,083,193,468	(1,067,309,072)	175,485,615
Social security contributions	50,331	40,182,933	(40,219,512)	13,752
Including: Medical insurance	31,340	33,865,801	(33,884,783)	12,358
Work injury insurance	12,677	4,356,310	(4,368,003)	984
Maternity insurance	6,314	1,960,822	(1,966,726)	410
Housing funds	2,603,791	49,264,799	(49,110,219)	2,758,371

Labour union funds and employee education funds	15,571,378	14,607,578	(14,898,254)	15,280,702
Management bonus (i)	15,340,000	79,735,128	(16,469,128)	78,606,000
Share-based payments	-	8,194,695	(8,194,695)	-
	193,166,719	1,275,178,601	(1,196,200,880)	272,144,440

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

(21) Employee benefits payable (Cont'd)

Pursuant to the resolution at the 7th session in the 5th 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 RMB79,735,128 (2016: RMB82,470,000) were accrued and charged to profit or loss.

Pursuant to the resolution at the 7th session in the temporary conference of the board of directors of the Company on 11 December 2017, to implemented equity incentive plans of restricted stock for the Company directors and senior management, core management team, backbones of technology and busines. The company first awarded 97,511,654 restricted shares to 454 incentive objects for the first time at RMB4.28 per share. The total fair value of the equity instruments granted to the incentive object by the company for the first time is RMB289,519,900. The total value of such fair value as the total cost of the company's equity incentive plan will be confirmed in stages according to the ratio of unlocking/exercising in the implementation of the equity incentive plan, and it is included in the cost in the term of "management fees" and "capital reserves - other capital reserves". The Company unlock the conditions of restricted share in 2017, and the cost associated with equity incentive plan is confirmed at RMB8,194,695 in this phase.

(b) Defined contribution plans

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Basic pensions	192,780	109,332,705	(109,500,097)	25,388
Unemployment insurance	12,740	3,866,282	(3,878,190)	832
	205,520	113,198,987	(113,378,287)	26,220

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

(32) Taxes payable

	31 December 2017	31 December 2016
VAT payable	35,100,800	46,726,185
Enterprise income tax payable	48,496,225	41,919,187
Housing property tax payable	8,617,044	10,998,756
Individual income tax payable	5,177,080	3,755,374
City maintenance and construction tax payable	4,261,902	3,482,715
Educational surcharge payable	3,348,566	3,351,165
Others	6,995,147	5,359,234
	111,996,764	115,592,616

(33) Interest payable

	31 December 2017	31 December 2016
Interest of ultra-short-term financial bonds	-	38,040,006
Interest payable for medium term notes	27,622,465	27,621,021
Interest for corporate bonds	-	10,660,000
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	938,950	514,750
Interest payable for short-term borrowings	5,471,325	1,390,127
	34,032,740	78,225,904

(34) Other payables

	31 December 2017	31 December 2016
Guarantee deposits received from construction contractors	49,624,256	69,156,801
Accrued cost of sales (i)	58,584,562	47,671,047
Temporary collection of payment for land transfer	56,196,000	28,098,000
Payable for contracted labour costs	17,568,695	17,467,346
Temporary receipts	7,964,070	14,022,924
Deposit for disabled	5,230,110	3,509,947
Restricted share repurchase obligation	417,349,879	-
Others	6,806,782	8,395,385
	619,324,354	188,321,450

(iii) 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.
(iv) In the year ending 31 December 2017, the unlock conditions of first granted restricted stock was not met. The Company will confirm the actual amount of restricted stock subscription RMB417,349,879 as the corresponding expected liability, and confirm the corresponding amount of stock shares.

The ageing of other payables was substantively within 1 year.

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

(35) Current portion of non-current liabilities

	31 December 2017	31 December 2016
Current portion of long-term borrowings		
- Guaranteed	14,880,000	29,340,000
- Unsecured	180,000,000	-
Current portion of corporate bonds	-	1,000,000,000
Current portion of finance lease	709,381,397	-
	904,261,397	1,029,340,000

(36) Long-term borrowings

	31 December 2017	31 December 2016
Medium term notes (i)	1,200,000,000	1,200,000,000
Unsecured	-	180,000,000
Guaranteed	354,120,000	58,660,000
	1,554,120,000	1,438,660,000

(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 data of 14 July 2020 and annual rate of 4.94%.

As at 31 December 2017, the interest of long-term borrowings varied from 4.75% to 5.94% (31 December 2015: 4.51% to 4.94%).

(37) Long-term account payable

	31 December 2017	31 December 2016
Finance lease	1,161,794,247	-

TheSale and leaseback lease of the group in this phase is a mortgage loan with a lease term of 36 months. On December 31, 2017, the real interest rate of financing lease loans is 4.49%-7.8%.

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

(38) Deferred income

	31 December 2017	31 December 2016
Government grants	562,701,103	593,993,254

Government grants are analysed as follows:

Government grants	31 December 2016	Increase in current year	Other decrease in current year	Non-operating income in current year	31 December 2017	Assets/Income related
Tianjin CSG Golden Sun Project (i)	57,092,011	-	--	(3,374,892)	53,717,119	Assets related
Dongguan CSG Golden Sun Project (ii)	46,079,250	-	--	(2,751,000)	43,328,250	Assets related
Hebei CSG Golden Sun Project (iii)	46,750,000	-	--	(2,750,000)	44,000,000	Assets related
Xianning CSG Golden Sun Project (iv)	51,013,417	-	--	(3,030,500)	47,982,917	Assets related
Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v)	43,670,435	-	--	(4,041,537)	39,628,898	Assets related
Qingyuan Energy-saving project (vi)	23,259,167	-	--	(2,470,000)	20,789,167	Assets related
Yichang Silicon products project (vii)	24,609,375	-	--	(2,812,500)	21,796,875	Assets related
Yichang CSG silicon slice auxiliary project (viii)	13,890,609	-	--	(1,227,733)	12,662,876	Assets related
Sichuan energy-saving glass project (ix)	12,129,480	-	--	(1,654,020)	10,475,460	Assets related
Group coating film experimental project (x)	9,035,040	-	--	(1,508,760)	7,526,280	Assets related
Yichang expert silicon project (xi)	3,906,547	-	--	(306,664)	3,599,883	Assets related
Yichang semiconductor silicon project (xii)	3,666,667	-	--	(266,667)	3,400,000	Assets related
Yichang CSG Display project (xiii)	53,371,082	-	--	(2,534,478)	50,836,604	Assets related
Xianning Photoelectric project (xiv)	-	7,800,000	-	-	7,800,000	Assets related
Group talent fund project (xv)	171,000,000	-	-	-	171,000,000	Assets related
Others	34,520,174	8,150,000	(171,976)	(18,341,424)	24,156,774	Assets related/Income related
	593,993,254	15,950,000	(171,976)	(47,070,175)	562,701,103	

(v) 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.

(vi) 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.

(vii) 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 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.

(viii) 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.

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

(27) Deferred income (Cont'd)

(xvi) 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.

(xvii) 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.

(xviii) 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 16 years according to the useful life of the converting station.

(xix) 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 16 years after related assets were put into use.

(xx) 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.

(xxi) 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.

(xxii) It represented the funds granted by Hubei local government for inport discount complement and international corporation special subsidy. The grant will be amortised and credited to income statement by 12 to 15 years

(xxiii) 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

(xxiv) It represented the funds granted by Yichang Municipal Government for Yichang CSG Display Company's flat project construction support funds and construction of coil coating three-line project. The grant will be amortised and credited to income statement by 15 years

(xxv) It represented the funds granted by Xianning Government of the Project supporting fund for photoconductive glass production line,which is used to pay for Xianning CSG Glass Co. Ltd. constructing the project of photoelectric photoelectric optical glass production line . After the completion of the production line, the ownership belongs to Xianning photoelectric. The allowance will be credited to income statement in 8 years, the useful life of the production line.

(xxvi) The allowance was granted by Administrative Commission of Yichang High-tech Industrial Development Zone. For senior management personnel, engineering technical personnel and senior professional technical team which is working at Yichang or plane to introduction, RMB171 million fund was set up, as a special fund for talent introduction and housing resettlement.

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

(28) Share capital

	31 December 2016	Movement for the year ended 31 December 2017: New issues during the year	Bonus issue	Capitalisation	Others	31 December 2017
RMB-denominated ordinary shares	1,312,751,568	-	-	196,912,735	-	1,509,664,303
Limited selling condition shares	-	97,511,654	-	-	-	97,511,654
Domestically listed foreign shares	762,583,992	-	-	114,387,598	-	876,971,590
	2,075,335,560	97,511,654	-	311,300,333	-	2,484,147,547

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

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 2016	Increase in current year	Decrease in current year	31 December 2017
Share premium (i)	1,345,264,670	319,838,225	(311,300,333)	1,353,802,562
Other capital surplus	(84,562,473)	37,141,676	-	(47,420,797)
Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method	757,420	-	-	757,420
Share-based payment (ii)	2,811,683	8,194,695	-	11,006,378
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	(87,197,562)	-	-	(87,197,562)
(iii)		28,946,981		28,946,981
	1,260,702,197	356,979,901	(311,300,333)	1,306,381,765

	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	(86,025,082)	-	(1,172,480)	(87,197,562)
	1,261,391,272	483,405	(1,172,480)	1,260,702,197

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

(31) 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)The Company passed the 2016 annual general meeting of shareholders held on May 22, 2017 and transferred 1.5 shares to every 10 shares for all shareholders. The total share capital before the distribution was 2,075,335,560 shares, and the total share capital after the dividend was increased to 2,386,635,893 shares. Capital reserve decreased by RMB311,300,333;

In this year, the equity incentive plan received RMB 417,349,879 of capital contribution from the incentive object, including RMB 97,511,654 of the share capital, which was included in the capital reserve of RMB 319,838,225.

(ii) This year, due to the equity incentive plan, the share payment fee of RMB8,194,695 was confirmed.

(iii) The shareholder Ju Shenghua provided interest-free loans of RMB1.61 billion to the company. The interest-free loans were charged to other capital reserves of RMB28,946,981 based on the interest expense calculated on the bank loan interest for the same period.

(32) Treasury shares

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Obligations of restricted share buybacks	-	417,349,879	-	417,349,879
	-	417,349,879	-	417,349,879

Explanation on changes in treasury stocks: The company confirms liabilities and treasury shares at the same time, based on the number of restricted shares issued and the corresponding repurchase price.

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 2017				
	31 December 2016	Attributable to parent company after tax	31 December 2017	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	2,103,971	(2,705,028)	(601,057)	(2,705,028)	-	-	(2,705,028)	-
	4,653,971	(2,705,028)	1,948,943	(2,705,028)	-	-	(2,705,028)	-

	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	-	-	-	-	-

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Differences on translation of foreign currency financial statements	417,772	1,686,199	2,103,971	1,686,199	-	-	1,686,199	-
	2,967,772	1,686,199	4,653,971	1,686,199	-	-	1,686,199	-

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

(51) Special reserve

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Safety production costs	5,843,473	7,831,127	(1,0449,662)	3,224,938

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

(52) Surplus reserve

	31 December 2016	Increase in current year	Decrease in current year	31 December 2017
Statutory surplus reserve	760,655,662	32,084,102	-	792,739,764
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	888,508,230	32,084,102	-	920,592,332

	31 December 2015	Increase in current year	Decrease in current year	31 December 2016
Statutory surplus reserve	730,927,762	29,727,900	-	760,655,662
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	858,780,330	29,727,900	-	888,508,230

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 RMB32,084,102 10% of the net profit, in 2017 (2016: RMB29,727,900, 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.

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

(53) Undistributed profits

	2017	2016
Undistributed profits at beginning of year	3,573,871,573	3,428,478,565
Add: Net profits attributable to shareholders of parent company	825,388,312	797,721,576
Less: Appropriation for statutory surplus reserve	(32,084,102)	(29,727,900)
Ordinary share dividends payable (a)	(207,533,556)	(622,600,668)
Undistributed profits at end of year	4,159,642,227	3,573,871,573

(b) Pursuant to the resolution of Board of Directors of the Company on 22 May 2017, the Company paid cash dividends of RMB1 (tax inclusive) for each 10 shares based on total shares of 2,075,335,560, with the total cash dividends distributed of RMB207,533,556.

(54) Revenue and cost of sales

	2017	2016
Revenue from main operations	10,786,756,657	8,886,948,218
Revenue from other operations	92,644,089	87,135,189
	10,879,400,746	8,974,083,407

	2017	2016
Cost of sales from main operations	8,183,862,835	6,510,577,440
Cost of sales from other operations	32,495,537	51,636,933
	8,216,358,372	6,562,214,373

(c) 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:

	2017		2016	
	Revenue	Cost	Revenue	Cost
Glass industry	6,975,512,082	5,179,173,783	6,244,550,400	4,542,947,575
Solar panel and parts	3,091,397,745	2,493,891,466	2,283,441,881	1,728,673,404
Electronic glass and displays	867,223,335	652,646,493	424,883,660	303,117,902
Elimination	(147,376,505)	(141,848,907)	(65,927,723)	(64,161,441)
	10,786,756,657	8,183,862,835	8,886,948,218	6,510,577,440

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

(35) Revenue and cost of sales (Cont'd)

(d) Revenue and cost of sales from other operations

	2017		2016	
	Revenue	Cost	Revenue	Cost
Sales of raw materials	69,908,277	29,437,767	63,211,682	45,044,785
Others	22,735,812	3,057,770	23,923,507	6,592,148
	92,644,089	32,495,537	87,135,189	51,636,933

(55) Taxes and surtax

	2017	2016
City maintenance and construction tax	33,115,925	33,343,735
Educational surcharge	26,156,521	26,597,418
Housing property tax	29,539,408	19,980,233
Land use rights	21,941,304	14,851,345
Business tax	5,395,333	3,486,149
Others	8,375,435	4,900,666
	124,523,926	103,159,546

(56) Selling expenses

	2017	2016
Freight expenses	159,825,411	140,132,227
Employee benefits	110,068,886	100,367,564
Entertainment fees	12,690,770	12,607,179
Business travel expenses	10,931,013	10,738,590
Vehicle use fee	7,609,882	7,358,948
Rental expenses	5,937,331	5,376,741
General office expenses	3,662,269	7,239,581
Depreciation expenses	970,739	979,874
Others	24,435,422	17,014,386
	336,131,723	301,815,090

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

(57) Administrative expense

	2017	2016
Research and development expenses	330,677,375	285,129,442
Employee benefits	295,657,274	250,150,056
Depreciation expenses	65,929,139	59,067,087
Amortisation of intangible assets	43,884,166	36,907,548
General office expenses	25,126,422	24,313,472
Taxes	-	16,957,060
Labour union funds	14,696,230	11,325,909
Entertainment fees	12,027,303	10,834,055
Business travel expenses	11,074,568	10,495,397
Utility fees	10,108,470	10,065,166
Canteen costs	9,357,983	8,486,926
Vehicle use fee	6,639,769	6,141,700
Rental expenses	4,551,968	3,104,038
Consulting advisers	24,935,512	9,453,050
Others	64,663,593	24,158,153
	919,329,772	766,589,059

(58) Financial expenses

	2017	2016
Interest on borrowings	344,459,771	273,665,849
Less: Capitalised interest	(29,856,175)	(15,346,518)
Interest expenses	314,603,596	258,319,331
Less: Interest income	(12,606,285)	(3,193,680)
Exchange losses	4,780,451	249,220
Others	9,183,318	10,445,698
	315,961,080	265,820,569

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

(59) 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:

	2017	2016
Changes in inventories of finished goods and work in progress	(139,651,079)	(111,401,312)
Consumed raw materials and low value consumables, etc.	4,941,314,821	3,245,155,140
Fuel fee	1,143,379,014	1,059,231,787
Employee benefits	1,222,510,952	1,196,241,368
Depreciation and amortisation expenses	1,002,432,274	917,152,746
Utility fees	778,033,060	830,921,457
Freight expenses	159,825,411	140,132,227
Taxes	-	16,957,060
General office expenses	43,816,479	45,018,706
Canteen costs	39,682,701	38,395,686
Business travel expenses	26,904,472	27,482,191
Entertainment fees	26,167,761	24,785,451
Vehicle use fee	15,851,907	15,227,050
Rental expenses	10,489,299	8,480,779
Others	201,062,795	176,838,186
	9,471,819,867	7,630,618,522

(60) Asset impairment losses

	2017	2016
Impaiement of fixed assets	36,260,304	49,894,197
Bad debts	6,187,739	2,245,583
Decline in the value of inventories	68,974	6,722,984
Impairment loss in construction under construction	26,882,738	-
	69,399,755	58,862,764

(61) Gain or loss from change in fair value

	2017	2016

Financial liabilities at fair value through profit or loss

Change in fair value during holding period of derivative financial instruments	-	(9,850,256)
Losses from disposal of derivative financial instruments(Note 4(43))	-	238,350,256
	-	228,500,000

Notes to the financial statements
for the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)
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4 Notes to the consolidated financial statements (Cont'd)

(62) Investment income

	2017	2016
Losses from long-term equity investment under equity method	-	5,071,685
Losses from disposal of financial liabilities at fair value through profit or loss	427,636	(238,350,256)
Losses from disposal of long-term equity investment	-	(45,909,181)
	427,636	(279,187,752)

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

(63) Asset disposal income

	2017	2016
Gains on disposal of fixed assets	(1,768,993)	(1,759,358)
	(1,768,993)	(1,759,358)

(64) Other income

	2017	2016
Government subsidy amortization	47,070,175	-
Industry support funds	16,123,793	-
Research grants	6,940,140	-
Energy conservation and utilization support funds	228,116	-
Government incentive funds	12,457,123	-
Technological transformation discount	306,000	-
Energy conservation and utilization support funds	100,000	-
Others	1,116,467	-
	84,341,814	-

(65) Non-operating income

	2017	2016	Amount of non-recurring gains and losses included in 2017
Government grants (a)	3,533,603	91,627,439	3,533,603

Default income	275,000	11,000	275,000
Compensation income	15,557,320	1,016,936	15,557,320
Amounts unable to pay	27,959	875,302	27,959
Others	1,369,160	4,547,962	1,369,160
	20,763,042	98,078,639	20,763,042

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

(b) Government grants are analysed below:

	2017	2016	Category
Government grants amortisation	-	28,054,929	Asset-income related
Industry support fund	-	26,108,198	Income related
Tax returns	-	25,360,000	Income related
Energy-saving award		414,309	Income related
Government awards fund	2,748,263	2,332,700	Income related
Subsidies for research and development	-	4,364,900	Income related
Interest subsidy for technological renovation	600,000	-	Income related
Energy-saving fund	-	3,520,000	Income related
Others	185,340	1,472,403	Income related
	3,533,603	91,627,439	

(66) Non-operating expenses

	2017	2016	Amount of non-recurring gains and losses included in 2017
Losses on disposal of inventory material	-	4,096,235	-
Compensation	492,228	410,326	492,228
Donation	1,118,999	120,000	1,118,999
Others	3,541,364	518,355	3,541,364
	5,152,591	5,144,916	5,152,591

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

(67) Income tax expenses

	2017	2016
Current income tax	160,923,182	140,207,714
Deferred income tax	6,747,809	11,674,381
	167,670,991	151,882,095

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:

	2017	2016
Total profit	996,307,026	956,108,619
Income tax expenses calculated at applicable tax rates by company	149,078,702	145,901,167
Effect of changes in tax rates	-	4,545,871
Costs, expenses and losses not deductible for tax purposes	7,893,473	2,227,140
Income not subject to tax	(33,833)	(855)
Deductible losses for which no deferred tax asset was recognised in current period	20,825,885	25,603,526
Written-off of deductible losses for which deferred tax asset was recognised previously	-	1,469,360
Effect of tax incentives	(13,637,793)	(10,147,358)
Reconciliation of income tax for prior years in annual filing	3,544,557	(17,716,756)
Income tax expenses	167,670,991	151,882,095

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

(68) Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding.

The numerator of diluted earnings per share is determined based on the net profit attributable to the common shareholders of the company's common stock. The following factors are adjusted to determine: (1) interest on dilutive potential ordinary shares that have been recognized as expenses in the current period; (2) dilutive potential ordinary The income or expenses that will be generated when the shares are converted; (3) The above-mentioned adjustments related to income tax effects.

The denominator of the diluted earnings per share equals the sum of: (1) the weighted average number of ordinary shares of the parent company in the underlying earnings per share; (2) ordinary shares that are increased assuming the dilution of potential ordinary shares into common shares The weighted average.

When calculating the weighted average of the number of ordinary shares increased from diluted common stocks to ordinary shares, the diluted potential ordinary shares issued during the previous period are assumed to be converted at the beginning of the current period; diluted potential ordinary shares of the current period are issued. , assuming a conversion on the issue date.

The basic calculation of basic earnings per share and diluted earnings per share are as follows:

	2017	2016
Profit		
Consolidated net profit attributable to ordinary shareholders of parent company	825,388,312	797,721,576
Shares		
Weighted average number of outstanding ordinary	2,386,635,893	2,386,635,893
Dilution Effect - Weighted average number of ordinary shares		
Stock options	4,062,986	-
The weighted average number of ordinary shares issued by the company after adjustment	2,390,698,879	2,386,635,893
Basic earnings per share	0.35	0.33
among them：		
- Continuing basic earnings per share	0.35	0.33
- Termination of basic earnings per share	-	-
Diluted earnings per share	0.35	0.33
among them：		
- Continuing basic earnings per share	0.35	0.33

- Termination of basic earnings per share	-	-

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

(69) Notes to the cash flow statement

(g) Cash generated by other operating activities

	2017	2016
Government grants	40,805,242	38,212,510
Interest income	12,606,285	3,193,680
Others	18,937,040	5,871,941
	72,348,567	47,278,131

(h) Cash paid relating to other operating activities

	2017	2016
Freight expenses	170,941,469	170,991,413
Canteen costs	39,682,701	38,395,686
General office expenses	34,267,447	32,516,317
Research and development expenses	31,684,954	25,191,468
Business travel expenses	27,935,416	26,421,204
Entertainment fees	25,206,039	24,573,593
Vehicle use fee	15,851,907	15,227,050
Maintenance fee	25,969,168	15,804,981
Rental expenses	10,489,299	8,480,779
Insurance	8,759,738	10,750,838
Bank fees	9,183,318	10,445,698
Others	186,004,633	173,091,041
	585,976,089	551,890,068

(i) Cash generated by other investing activities

	2017	2016
Income from trial production of construction in progress	124,108,255	155,174,454
Final payment of Shenzhen CSG Display's subdiary equity transfer	-	150,000,000
Government grants related to assets received	15,950,000	16,351,250

Land grant funds received	28,098,000	28,098,000
Insurance claims received	19,600,000	-
Government lands refund received	-	14,891,603
	187,756,255	364,515,307

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

(j) Cash paid relating to other investing activities

	2017	2016
Trial production expenditure in construction	156,543,177	166,905,113
The subsidies which Qingyuan energy returns to government	-	15,300,000
Deposit	43,541,859	-
	200,085,036	182,205,113

(k) Cash generated by other financing activities

	2017	2016
Interest-free borrowing	1,610,000,000	-
Income from financing leases	1,986,000,000	-
Receiving industrial production dispatch funds	20,000,000	-
	3,616,000,000	-

(l) Cash payments relating to other financing activities

	2017	2016
Repay financing leases	104,821,449	-
Pay for industrial production scheduling funds	31,000,000	-
Return interest-free loan	1,610,000,000	-
Deposit	5,030,994	-

Payment of loan, security and fee for bills	32,257,231	-
	1,783,109,674	-

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

(51) Supplementary information to the cash flow statement

(d) Reconciliation from net profit to cash flows from operating activities

	2017	2016
Net profit	828,636,035	804,226,524
Add: Provision for asset impairment	69,399,755	58,862,764
Depreciation of fixed assets	957,475,579	879,345,692
Amortisation of intangible assets	43,884,166	36,907,548
Net movements of safety production costs	(2,618,535)	(9,594,025)
Amortisation of long-term prepaid expenses	1,072,529	899,506
Net losses/(gains) on disposal of fixed assets and intangible assets	8,194,695	-
Employee compensation based on shares	1,768,993	1,759,358
Financial expenses	314,603,596	258,319,331
Investment income/(loss)	(427,636)	279,187,752
Decrease/(increase) in deferred tax assets	15,578,992	13,884,362
Increase/(decrease) in deferred tax liabilities	(8,833,183)	(2,209,981)
(Increase)/decrease in inventories	-	(228,500,000)
Decrease/(increase) in operating receivables	(201,257,769)	(71,720,745)
Increase in operating payables	(206,859,922)	(259,804,129)
Increase in operating receivables	642,828,861	479,288,163

Net cash flows from operating activities	2,463,446,156	2,240,852,120

(e) Net increase/(decrease) in cash

	2017	2016
Cash and cash equivalents at end of year	2,459,753,165	584,566,990
Less: Cash and cash equivalents at beginning of year	(584,566,990)	(574,744,877)
Net increase in cash and cash equivalents	1,875,186,175	9,822,113

(f) Cash and cash equivalents

	31 December 2017	31 December 2016
Cash		
- Cash on hand	36,182	17,239
- Bank deposits that can be readily drawn on demand	2,409,716,983	584,549,751
- Other cash balances that can be readily drawn on demand	50,000,000	-
Cash at end of year	2,459,753,165	584,566,990

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

(52) Assets with restricted ownership or use rights

	2017	2016	Reason
Monetary assets	2,852,599	2,236,515	Restricted deposit flow
Property,plant and equipment	2,369,789,041	-	Limited finance lease
	2,372,641,640	2,236,515	

(53) Monetary items denominated in foreign currencies

	31 December 2017		
	Balances denominated in foreign currencies	Exchange rates	Balances denominated in RMB
Cash at bank and on hand -			

HKD	7,314,730	0.8359	6,114,383
USD	11,343,508	6.5342	74,120,750
EUR	675	7.8023	5,267
JPY	309,620	0.0579	17,927
AUD	17,439	5.0928	88,813
			80,347,140
Accounts receivable -			
HKD	11,549,666	0.8359	9,654,366
USD	19,490,453	6.5342	127,354,518
EUR	946,785	7.8023	7,387,101
			144,395,985
Short-term borrowings -			
HKD	75,000,000	0.8359	62,692,500
Accounts payable -			
HKD	307	0.8359	257
USD	15,922,406	6.5342	104,040,185
EUR	2,642,275	7.8023	20,615,822
JPY	281,927,203	0.0579	16,323,585
			140,979,849

5 The changes of consolidation scope

The Group established a subsidiary company, China CGS (AUSTRILIA) PTY LTD, on 31 December 2017, and the Group has not invested yet. The Company holds 100% of its shares.

6 Interest in other entities

(1) Interest in subsidiaries

(a) Structure of the enterprise group

As at 31 December 2017, information of the Company’s major subsidiaries is set out below:

Notes to the financial statements for the year ended 31 December 2017

(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

	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%

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 2017	Dividends distributed to minority shareholders for the year ended 31 December 2017	Minority interests as at 31 December 2017
Shenzhen CSG Display	39.20%	(436,287)	2,488,500	302,902,364

The major financial information of the significant non-fully-owned subsidiaries of the Group is listed below:

	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen CSG Display	230,735,047	1,384,202,485	1,614,937,532	588,962,555	237,351,982	826,314,537

	2017			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen CSG Display	563,191,871	14,127,082	14,127,082	91,246,186

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, Estimated 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:

- Glass segment, engaged in production and sales of float glass and engineering glass and the silica for the production thereof, 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 Estimates 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.

7 Segment information (Cont'd)

(c) Segment information as at and for the year ended 31 December 2017 is as follows:

	Flat glass	Electronic glass and displays	Solar energy	Others	Unallocated	Elimination	Total
Revenue from external customers	6,954,683,103	873,166,517	3,050,921,865	-	629,261	-	10,879,400,746
Inter-segment revenue	97,227,192	701,963	74,689,369	-	58,058,305	(230,676,829)	-
Interest income	1,152,232	146,973	262,942	608	11,043,530	-	12,606,285
Interest expenses	(153,982,540)	(32,003,353)	(79,797,858)	-	(54,488,918)	5,669,073	(314,603,596)
Asset impairment losses	(20,109,566)	(352,808)	(48,857,162)	-	(80,219)	-	(69,399,755)
Depreciation and amortisation expenses	(601,774,748)	(132,769,853)	(261,527,443)	(107,198)	(6,253,032)	-	(1,002,432,274)
Total profit/(loss)	827,335,674	80,463,836	218,437,923	(110,328)	(124,292,481)	(5,527,598)	996,307,026
Income tax (expenses)/income	(118,701,953)	(21,223,939)	(23,950,456)		(3,794,643)	-	(167,670,991)
Net profit/(loss)	708,633,721	59,239,897	194,487,467	(110,328)	(128,087,124)	(5,527,598)	828,636,035
Total assets	9,121,982,895	3,032,467,443	4,969,121,408	664,853	2,410,765,769	-	19,535,002,368
Total liabilities	3,453,100,959	856,548,520	1,640,361,900	2,502,814	4,802,865,064	-	10,755,379,257
Increase in non-current assets (i)	160,029,169	459,791,787	629,473,708	-	2,875,254	-	1,252,169,918

7 Segment information (Cont'd)

(d) Segment information as at and for the year ended 31 December 2016 is as follows:

	Flat glass	Electronic glass and displays	Solar energy	Others	Unallocated	Elimination	Total
Revenue from external customers	6,248,986,019	432,923,679	2,291,096,315	-	1,077,394	-	8,974,083,407
Inter-segment revenue	53,644,824	533,611	29,140,901	-	21,504,477	(104,823,813)	-
Interest income	709,739	169,281	215,863	69	3,680,920	(1,582,192)	3,193,680
Interest expenses	(141,501,800)	(20,216,385)	(80,249,948)	-	(22,179,393)	5,828,195	(258,319,331)
Investment income from associates	-	-	-	-	5,071,685	-	5,071,685
Asset impairment losses	(1,347,361)	(6,474,743)	(52,808,413)	-	1,767,753	-	(58,862,764)
Depreciation and amortisation expenses	(579,880,012)	(89,743,215)	(240,386,653)	-	(7,142,866)	-	(917,152,746)
Change in fair value of derivative financial instruments	-	-	-	-	(9,850,256)	-	(9,850,256)
Total profit/(loss)	870,911,083	19,861,854	246,515,279	(64,601)	(179,348,714)	(1,766,282)	956,108,619
Income tax (expenses)/income	(115,934,739)	(9,777,225)	(26,285,679)	-	115,548	-	(151,882,095)
Net profit/(loss)	754,976,344	10,084,629	220,229,600	(64,601)	(179,233,166)	(1,766,282)	804,226,524
Total assets	9,002,421,342	2,594,860,320	4,476,309,055	135,161	1,073,089,752		17,146,815,630
Total liabilities	1,789,702,282	566,783,261	519,338,730	2,502,814	6,139,297,524	-	9,017,624,611
Increase in non-current assets (i)	368,179,542	1,539,319,460	652,019,325	-	4,578,555	-	2,564,096,882

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	2017	2016
Mainland	9,506,249,433	7,971,929,246
Hong Kong, PRC	434,551,436	135,128,604
Europe	26,534,686	25,914,385
Asia (other than Mainland and Hong Kong)	848,958,711	614,806,258
Australia	37,937,222	37,437,349
North America	6,030,936	134,941,952
Other regions	19,138,322	53,925,613
	10,879,400,746	8,974,083,407

Total non-current assets	31 December 2017	31 December 2016
Mainland	14,505,740,522	14,392,447,014
Hong Kong, PRC	12,798,642	12,551,254
	14,518,539,164	14,404,998,268

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

8 Related parties and related party transactions

(8) Information of the parent company

The Company regards no entity as the parent company.

(9) The subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(10) The associates

Shenzhen CSG Display company is a joint venture of the Company, and it became a subsidiary of our company on June 3, 2016. Prior to June 3, 2016, the related transaction between Shenzhen CSG Display company and the Group is noted, as indicated in note 8 (5).

On December 31, 2017, the Company has no joint venture.

8 Related parties and related party transactions (Cont'd)

(11) 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	Controlled by the former key management personnel of the Croup
Yichang Hongtai Real Estate Co. Ltd	Other related parties and their affiliates

(12) Related party transactions

(g) Purchase and sales of goods, provision and receiving of labour

Related parties	Related party transactions	Pricing policies	2017	2016
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
Xianning CSG Photoelectric	Sales of special glass	Refer to market price	-	2,349,353
			-	4,458,974

(h) Leases
The Group as the lessor:

Name of the lessee	Category of the leased asset	Lease income recognised in 2017	Lease income recognised in 2016
Shenzhen CSG Display	Equipment under finance leases	-	2,359,961
		-	2,359,961

(i) Gains on equity transfer
None

(j) Acquisition of equity

Related parties	Related party transactions	Pricing principle	2017	2016
Shenzhen Qianhai Ruinan Investment LLP	Acquire 37.5% of Xianning CSG Photoelectric's equity	Refer to fair value of the equity	-	38,250,000

8 Related parties and related party transactions (Cont'd)

(5) Related party transactions

(k) Advances paid on behalf of related parties

Related parties	Related party transactions	Pricing policies	2017	2016
Shenzhen CSG Display	Advances of electric charge	Refer to market price	-	8,168,076

(l) Remuneration of key management

	2017	2016
Remuneration	12,030,000	10,914,002

(13) Receivables from related parties

		December 31, 2017		December 31, 2016	
		Book balance	Bad debt preparation	Book balance	Bad debt preparation
Other receivables	Yichang Hongtai Real Estate Company	171,000,000	(3,420,000)	171,000,000	(3,420,000)

(14) 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	2017	2016
Shenzhen Jushenghua Co., Ltd. ("Jushenghua")	Facility of interest-free loans provided for the Company	Nil	2,000,000,000	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 billion 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. The shareholder provided RMB 1 billion 610 million interest free loan to the group in the current year, which has been returned to all in December 31, 2017.

9 Share Payment

1. Overall situation of share payment

The total number of equity instruments granted by the company in the current period Restricted shares	97,511,654 shares
Total amount of various equity instruments that the company exercises during the current period	-
The total number of various equity instruments that have failed in the current period	-
The scope of the company's outstanding share options and the remaining duration of the contract at the end of the period	-
The scope of the company's exercise of other equity instruments at the end of the period and the remaining duration of the contract	-

Note: On December 11, 2017, reviewed and approved by the Group's eighth session of the Board of Directors, the Group implemented the 2017 A Share Restricted Stock Incentive Plan. The incentive targets for the restricted shares granted under this plan include company directors and senior management personnel. A total of 454 core management teams, company technology members and main employees. The first grant date of this restricted stock was December 11, 2017. The company granted 97,511,654 restricted shares for the first time to 454 incentive targets. The initial grant price was 4.28RMB per share. Reserved restricted stock ending balance 17,046,869 shares, the grant price has not been determined. The shares granted of the first time has been registered and listed.

This incentive plan is valid for 48 months from the date of grant of the restricted stock to the date of unlocking of all restricted stocks or the completion of repurchase and cancellation. During the unlocking/exercise period, if the unlocking/exercise condition specified in the incentive plan is reached, the restricted stock granted is unlocked in three phases after 12 months from the grant date.

The unlock period is shown in the following table:

Unlock Schedule	Unlock Time	Unlock Ratio
First unlock	from the date of the first transaction 12 months after the award date to the date of the last transaction within 24 months from the grant date.	40%
Second unlock	from the date of the first trading day 24 months after the grant date to the date of the last trading day within 36 months from the grant date	30%
Third unlock	from the date of the first trading day 36 months after the grant date to the day of the last trading day within 48 months from the grant date	30%

9 Share Payment (Cont'd)

2. Equity-settled share payment

Method for Determining the Fair Value of Equity Instruments on the Grant Date	Black-Scholes Model
Determination of the best estimate of the number of vesting equity instruments	Based on the latest information on the change in the number of exercisable rights and the completion of performance indicators, the number of equity instruments that are expected to be exercised is revised.
Reasons for significant differences between current estimates and previous estimates	Not applicable
Cumulative amount of equity-settled share-based payment in capital reserves	8,194,695
Total equity confirmed by equity-settled share-based payment in this period	8,194,695

According to the relevant provisions of Accounting Standards for Business Enterprises No. 11 - Share Payment and Enterprise Accounting Standard No. 22 - Recognition and Measurement of Financial Instruments, the Group uses the Black-Scholes model (BS model) as a pricing model, deducting incentive objects. The fair value of the restricted stock will be used after the lock-in costs that are required to obtain the rational expected return from the sales restriction period are lifted in the future. The Group will, on each balance sheet date of the lock-in period, revise the number of restricted stocks that are expected to be unlockable based on the newly obtained changes in the number of unlockable persons and performance indicators, and follow the fair value of the restricted stock grant date. The services obtained during the current period are included in the relevant costs or expenses and capital reserves.

The Group actually granted restricted stocks of 97,511,654 shares in 2017, and the total fair value of the equity instruments granted to the incentive target for the first day of grant was RMB 289,519,900, the total fair value as the total cost of the company's equity incentive plan will be confirmed in stages according to the unlocking/exercise ratio during the implementation of the equity incentive plan, and will be included in the "management fees" and "capital" of each period accordingly.

In 2017, the Group achieved conditions for unlocking restricted stocks. In the current period, the relevant cost sharing amount of the incentive plan was recognized as RMB 8,194,695.

17 Contingencies

Nil.

18 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognized on the balance sheet are as follows:

	31 December 2017	31 December 2016
Buildings, machinery and equipment	150,418,893	280,938,401

11 Commitments (Cont'd)

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	31 December 2017	31 December 2016
Within 1 year	3,675,748	1,142,713
1 to 2 years	1,914,948	831,008
2 to 3 years	1,472,224	273,320
Over 3 years	3,443,641	282,534
	10,506,561	2,529,575

19 Events after the balance sheet date

Statement of profit distribution after balance sheet date

	Amount
Proposed distribution of cash dividends	124,207,377

Pursuant to the resolution of the board of directors dated April 20, 2018, the board of directors proposed that the company distribute cash dividends of RMB 124,207,377 to all shareholders, which has not yet been recognized as a liability in the financial statements. In addition, the board of directors proposes to use the capital of 2,484,147,547 as the base to transfer 1.5 shares for every 10 shares to all shareholders in a total of 372,622,132 shares, which has not yet been reclassified as capital in the financial statements.

20 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollar. 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.

As at 31 December 2017, book values in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

13 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

	31 December 2017			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency -				
Cash at bank and on hand	74,120,750	6,114,383	112,007	80,347,140
Receivables	127,354,518	9,654,366	7,387,101	144,395,985
	201,475,268	15,768,749	7,499,108	224,743,125
Financial liabilities denominated in foreign currency -				
Short-term borrowings	-	62,692,500	-	62,692,500
Payables	104,040,185	257	36,939,407	140,979,849
	104,040,185	62,692,757	36,939,407	203,672,349

	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
	130,103,012	5,551,402	7,758,362	143,412,776
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
	74,140,797	67,087,775	24,217,998	165,446,570

As at 31 December 2017, 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 RMB8,281,982 lower/higher (31 December 2016: approximately RMB4,756,788 lower/higher) for various financial assets and liabilities denominated in USD.

As at 31 December 2017, 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 RMB3,988,541 higher/lower (31 December 2016: approximately RMB5,230,592higher/lower) for various financial assets and liabilities denominated in HKD.

Other changes in exchange rate had no significant influence on the Group's operating activities.

13 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 2017, the Group's long-term interest-bearing debts at and fixed rates and floating rates are illustrated below:

	31 December 2017	31 December 2016
Debt at fixed rates	1,425,000,000	1,380,000,000
Debt at floating rates	129,120,000	58,660,000
	1,554,120,000	1,438,660,000

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.

13 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 2017, the Group had net current liabilities of approximately RMB2.52 billion and committed capital expenditures of approximately RMB0.15 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;
(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 analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5years	Over 5 years	Total
Short-term borrowings	3,810,013,826	-	-	-	3,810,013,826
Notes payable	213,401,622	-	-	-	213,401,622
Accounts payable	1,400,166,042	-	-	-	1,400,166,042
Interest payable	34,032,740	-	-	-	34,032,740
Other payables	619,324,354	-	-	-	619,324,354
Other current liabilities	300,000	-	-	-	300,000
Current portion of non-Current liabilities	911,348,902	-	-	-	911,348,902
Long-term payables	-	600,436,759	561,357,488	-	1,161,794,247
Long-term borrowings	80,169,450	117,889,436	1,580,649,809	-	1,778,708,695
	7,068,756,936	718,326,195	2,142,007,297	-	9,929,090,428

	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
	6,642,209,170	290,439,172	1,287,871,345	-	8,220,519,687

21 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.

(c) Financial instruments measured at fair value

As of 31 December 2017, the group has no assets measured at fair value.

(d) 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, ect.

Except for financial liabilities listed below, book value of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Corporate bonds payable	-	-	1,000,000,000	1,009,177,000
Medium term notes	1,200,000,000	1,171,444,800	1,200,000,000	1,175,308,800
	1,200,000,000	1,171,444,800	2,200,000,000	2,184,485,800

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.

22 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 2017 and 31 December 2016, the Group's gearing ratio is as follows:

	31 December 2017	31 December 2016
Total liabilities	10,755,379,257	9,017,624,611
Total assets	19,535,002,368	17,146,815,630
Gearing ratio	55%	53%

23 Notes to the Company's financial statements

(2) Other receivables

	31 December 2017	31 December 2016
Receivables from related parties	2,399,392,648	4,033,706,419
Others	4,451,192	423,416
	2,403,843,840	4,034,129,835
Less: Provision for bad debts	(3,509,024)	(3,428,806)
	2,400,334,816	4,030,701,029

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

	31 December 2017	31 December 2016
Within 1 year	2,232,668,334	3,863,129,835
Over 1year	171,175,506	171,000,000
	2,403,843,840	4,034,129,835

As at 31 December 2017, the Company had no overdue but not impaired other receivables (31 December 2016: Nil).

(f) Other receivables are analysed by categories as follows:

	31 December 2017				31 December 2016			
	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	4,451,192	-	(89,024)	2%	423,416	-	(8,806)	2%

- Group 2	2,399,392,648	100%	(3,420,000)	-	4,033,706,419	100%	(3,420,000)	-
	2,403,843,840	100%	(3,509,024)	-	4,034,129,835	100%	(3,428,806)	-

(g) or other receivables provided for bad debts by portfolio, the percentage of provision for the portfolio is as follows:

	31 December 2017			31 December 2016		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Amount	%	Amount	Amount	%
Portfolio 1	4,451,192	(89,024)	2%	423,416	(8,806)	2%
Portfolio 2	2,399,392,648	(3,420,000)	-	4,033,706,419	(3,420,000)	-
	2,403,843,840	(3,509,024)	-	4,034,129,835	(3,428,806)	-

16 Notes to the Company's financial statements (Cont'd)

(1) Other receivables (Cont'd)

(η) As at 31 December 2017, 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	1,265,446,303	Within 1 year	53%
Qingyuan CSG Energy-Saving	Subsidiary	315,175,452	Within 1 year	13%
Yichang CSG Display	Subsidiary	217,350,199	Within 1 year	9%
Yichang Hongtai Real Estate Co. Ltd	Other related parties and their affiliates	171,000,000	Over 1 year	7%
Xianning CSG photoelectric glass	Subsidiary	120,520,736	Within 1 year	5%
		2,089,492,690		87%

(2) Long-term equity investments

	31 December 2017	31 December 2016
Subsidiaries (a)	4,810,987,652	4,805,440,632
Less: Impairment provision for investments in subsidiaries (a)	(15,000,000)	(15,000,000)
	4,795,987,652	4,790,440,632

16 Notes to the Company's financial statements (Cont'd)

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

(b) Subsidiaries

	31 December 2016	Movement in current year			31 December 2017	Provision for impairment loss	Cash dividends declared in current year
		Additional investment	Decrease in investment	Provision for impairment loss			
	(i)				(i)		
Chengdu CSG	146,679,073	298,274	-	-	146,977,347	-	29,098,516
Sichuan CSG Energy Conservation	115,290,583	256,131	-	-	115,546,714	-	36,798,924
Tianjin Energy Conservation	242,902,974	288,454	-	-	243,191,428	-	
Dongguan CSG	193,618,971	297,078	-	-	193,916,049	-	
Dongguan CSG Solar	349,446,826	354,328	-	-	349,801,154	-	109,684,420
Yichang CSG Silicon	632,958,044	506,124	-	-	633,464,168	-	
Wujiang CSG	251,313,658	202,531	-	-	251,516,189	-	35,752,200
Hebei CSG	261,998,368	266,973	-	-	262,265,341	-	
China Southern Glass (Hong Kong) Limited	85,742,211	60,391	-	-	85,802,602	-	
Wujiang CSG	562,179,564	348,190	-	-	562,527,754	-	175,598,720
Hebei Shichuang	243,062,801	208,669	-	-	243,271,470	-	
Jiangyou CSG Mining Development Co. Ltd.	100,725,041	112,558	-	-	100,837,599	-	
Xianning CSG	177,041,818	253,676	-	-	177,295,494	-	47,124,545
Xianning CSG Energy-Saving	161,281,576	262,268	-	-	161,543,844	-	
Qingyuan CSG Energy-Saving	300,185,609	191,239	-	-	300,376,848	-	

Shenzhen CSG Financial Leasing Co., Ltd.	133,500,000		-	-	133,500,000	-	
Shenzhen CSG PV Energy Co., Ltd.	100,000,000	52,985	-	-	100,052,985	-	
Shenzhen CSG Display	542,027,830	664,058	-	-	542,691,888	-	2,011,500
Xianning CSG Photoelectric	38,250,000	220,534	-	-	38,470,534	-	
Others (ii)	167,235,685	702,559	-	-	167,938,244	(15,000,000)	
	4,805,440,632	5,547,020	-	-	4,810,987,652	(15,000,000)	436,068,825

16 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 2017, included in the investments in subsidiaries were deemed investment costs of RMB 114,582,341 (31 December 2016: RMB 109,035,321), 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.

(3) Long-term receivables

	31 December 2017	31 December 2016
Bonds payable and long-term borrowings allocated to subsidiaries	1,200,000,000	1,905,645,000
Entrusted loans allocated to subsidiaries		98,000,000
	1,200,000,000	2,003,645,000
Less: Provisions for impairment		-
	1,200,000,000	2,003,645,000

16 Notes to the Company's financial statements (Cont'd)

(3) Long-term receivables (Cont'd)

	31 December 2016	Movements in current year	31 December 2017	Provision for impairment loss	Reversals of provision for impairment loss in current year
Chengdu CSG	190,000,000	(140,000,000)	50,000,000	-	-
Sichuan CSG Energy Conservation	114,665,000	(94,665,000)	20,000,000	-	-
Dongguan CSG PV-tech	160,105,000	(110,105,000)	50,000,000	-	-
Yichang CSG Silicon	472,480,000	(122,480,000)	350,000,000	-	-
Dongguan CSG	99,835,000	(24,835,000)	75,000,000	-	-
Wujiang CSG	310,000,000	(100,000,000)	210,000,000	-	-
Dongguan CSG Solar	193,780,000	(73,780,000)	120,000,000	-	-
Wujiang CSG	69,890,000	(19,890,000)	50,000,000	-	-
Qingyuan CSG Energy-Saving	148,000,000	(98,000,000)	50,000,000	-	-
Xianning CSG Energy-Saving	80,000,000	-	80,000,000	-	-
Xianning CSG	75,000,000	-	75,000,000	-	-
Hebei CSG Class	69,890,000	(19,890,000)	50,000,000		
Hebei CSG Window	20,000,000	-	20,000,000	-	-
	2,003,645,000	(803,645,000)	1,200,000,000	-	-

(6) Other payables

	31 December 2017	31 December 2016
Subsidiaries	477,067,694	233,414,167
Share repurchase	417,349,879	-
Others	15,015,418	7,179,727
	909,432,991	240,593,894

(7) Investment income

	2017	2016
Investment income from long-term equity investment under cost method	436,068,825	395,236,932
Investment income from long-term equity investment under equity method	-	29,186,090
Losses from disposal of financial liabilities at fair value through profit or loss	-	(238,350,256)
	436,068,825	186,072,766

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

I Statement of non-recurring gains and losses

	2017	2016
Gains or losses on disposal of non-current assets	1,768,993	1,759,358
Government grants recognised in profit or loss for current period	(87,875,417)	(91,627,439)
Gain or loss from change in fair value	-	(228,500,000)
Investment losses from disposal of financial liabilities at fair value through profit or loss	(427,636)	238,350,256
Losses from revaluation of stock rights under business combinations involving enterprises not under common control	-	45,909,181
Non-operating income and expenses other than aforesaid items	(12,076,848)	(1,306,284)
	(98,610,908)	(35,414,928)
Effect of income tax	16,209,135	14,327,585
Effect of minority interests (after tax)	2,386,569	316,740
Total non-recurring gains and losses	(80,015,204)	(20,770,603)

(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		Earnings per share: Diluted earnings per share	
	2017	2016	2017	2016	2017	2016
Net profit attributable to ordinary shareholders of the Company	10.15%	10.33%	0.35	0.33	0.35	0.33

Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	9.16%	10.06%	0.31	0.33	0.31	0.33

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 Asia Pacific (Group) CPAs (special general partnership) 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.
23 April 2018