

Financial Report of Semi-annual Report 2018

(I) Auditors' Report

Whether the Semi-annual Report has been audited or not

Yes No

(II) Financial Statements

All figures in the Notes to the Financial Statements are in RMB.

1. Consolidated Balance Sheet

Prepared by CSG Holding Co., Ltd.

Unit: RMB

Item	Ending balance	Beginning balance
Current assets		
Cash at bank and on hand	3,372,045,169	2,462,605,764
Notes receivable	789,078,376	552,232,420
Accounts receivable	707,375,368	638,238,290
Advances to suppliers	122,002,548	143,848,023
Other receivables	209,270,387	205,939,019
Inventories	713,622,649	685,895,317
Assets classified as held for sale	45,983,520	45,983,520
Other current assets	178,803,755	200,847,989
Total current assets	6,138,181,772	4,935,590,342
Non-current assets		
Fixed assets	11,494,297,683	11,540,769,697
Construction in progress	1,190,859,428	1,417,624,618
Intangible assets	1,033,563,687	1,047,222,407
Development expenditure	71,977,914	61,365,537
Goodwill	397,392,156	397,392,156
Long-term prepaid expenses	12,251,997	2,223,397
Deferred tax assets	100,120,499	80,872,862
Other non-current assets	86,166,620	51,941,352
Total non-current assets	14,386,629,984	14,599,412,026
TOTAL ASSETS	20,524,811,756	19,535,002,368

Current liabilities		
Short-term borrowings	3,949,419,972	3,704,630,909
Notes payable	208,201,622	213,401,622
Accounts payable	1,331,128,942	1,400,166,042
Advances from customers	183,976,533	195,563,465
Employee benefits payable	182,613,590	272,170,660
Taxes payable	107,612,699	111,996,764
Interest payable	73,371,196	34,032,740
Dividend payable	4,875,583	
Other payables	620,540,633	619,324,354
Current portion of non-current liabilities	941,647,396	904,261,397
Other current liabilities	300,000	300,000
Total current liabilities	7,603,688,166	7,455,847,953
Non-current liabilities		
Long-term borrowings	2,364,000,000	1,554,120,000
Long term payable	866,214,017	1,161,794,247
Deferred income	550,026,465	562,701,103
Deferred tax liabilities	24,419,058	20,915,954
Total non-current liabilities	3,804,659,540	3,299,531,304
Total liabilities	11,408,347,706	10,755,379,257
Shareholders' equity		
Share capital	2,856,769,678	2,484,147,547
Capital surplus	1,029,395,134	1,306,381,765
Less: Treasury shares	412,640,249	417,349,879
Other comprehensive income	2,640,961	1,948,943
Special reserve	3,988,036	3,224,938
Surplus reserve	920,592,332	920,592,332
Undistributed profits	4,388,437,956	4,159,642,227
Total equity attributable to shareholders of parent company	8,789,183,848	8,458,587,873
Minority shareholders' equity	327,280,202	321,035,238
Total shareholders' equity	9,116,464,050	8,779,623,111
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	20,524,811,756	19,535,002,368

Legal Representative:Chen Lin Principal in charge of accounting:Wang Jian Principal of the financial department:Wang Wenxin

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Ending balance	Beginning balance
Current assets		
Cash at bank and on hand	2,594,187,340	1,681,877,320
Advances to suppliers	2,839,117	146,132
Other receivables	2,811,139,401	2,400,334,816
Total current assets	5,408,165,858	4,082,358,268
Non-current assets		
Long-term receivables	1,200,000,000	1,200,000,000
Long-term equity investments	4,896,117,578	4,795,987,652
Fixed assets	20,923,085	22,182,246
Construction in progress	2,261,607	
Intangible assets	1,079,827	1,742,109
Other non-current assets	533,718	2,132,041
Total non-current assets	6,120,915,815	6,022,044,048
TOTAL ASSETS	11,529,081,673	10,104,402,316
Current liabilities		
Short-term borrowings	2,850,000,000	2,600,000,000
Accounts payable	261,024	261,024
Employee benefits payable	23,615,615	40,856,313
Taxes payable	2,126,282	1,762,580
Interest payable	12,748,838	3,090,735
Dividends payable	4,875,583	
Other payables	1,175,125,741	909,432,991
Non-current liabilities due within one year	180,000,000	180,000,000
Total current liabilities	4,248,753,083	3,735,403,643
Non-current liabilities		
Long-term borrowings	2,000,000,000	1,200,000,000
Deferred income	185,584,400	186,526,280
Total non-current liabilities	2,185,584,400	1,386,526,280
Total liabilities	6,434,337,483	5,121,929,923

Shareholders' equity		
Share capital	2,856,769,678	2,484,147,547
Capital surplus	1,174,222,448	1,451,209,079
Less: Treasury shares	412,640,249	417,349,879
Other comprehensive income		
Surplus reserve	935,137,692	935,137,692
Undistributed profits	541,254,621	529,327,954
Total shareholders' equity	5,094,744,190	4,982,472,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,529,081,673	10,104,402,316

3. Consolidated Income Statement

Unit: RMB

Item	Balance of this period	Balance of last period
I. Total revenue	5,471,169,598	4,944,337,861
Incl. Business income	5,471,169,598	4,944,337,861
II. Total business cost	5,073,729,591	4,502,642,030
Incl: Business cost	4,099,496,754	3,737,514,462
Tax and surcharge	71,930,546	61,745,775
Sales expense	172,217,254	156,344,731
Administrative expense	540,554,002	402,554,340
Financial expenses	185,877,426	143,374,027
Asset impairment loss	3,653,609	1,108,695
Plus: Income on disposal assets ("-" for loss)	-567,830	-71,756
Other Income	21,863,800	23,674,234
III. Operational profit ("-" for loss)	418,735,977	465,298,309
Plus: non-operational income	2,595,795	15,971,862
Less: non-operational expenditure	878,551	603,102
IV. Total profit ("-" for loss)	420,453,221	480,667,069
Less: Income tax expenses	61,371,104	80,453,021
V. Net profit ("-" for net loss)	359,082,117	400,214,048
(I) Net income from continuing operations ("-" for net loss)	359,082,117	400,214,048
Attributable to shareholders of parent company	352,837,153	392,992,163

Minority shareholder gains and losses	6,244,964	7,221,885
VI. Other comprehensive income net after tax	692,018	-1,076,264
Other comprehensive income net after tax attributable to shareholders of parent company	692,018	-1,076,264
Other comprehensive income items which will be reclassified subsequently to profit or loss	692,018	-1,076,264
Differences on translation of foreign currency financial statements	692,018	-1,076,264
VII. Total comprehensive income	359,774,135	399,137,784
Total comprehensive income attributable to shareholders of parent company	353,529,171	391,915,899
Total comprehensive income attributable to minority shareholders	6,244,964	7,221,885
VIII. Earnings per share:		
(I) Basic earnings per share	0.13	0.14
(II) Diluted earnings per share	0.12	0.14

Legal Representative:Chen Lin Principal in charge of accounting:Wang Jian Principal of the financial department:Wang Wenxin

4. Income Statement of the Parent Co.

Unit: RMB

Item	Balance of this period	Balance of last period
I. Revenue	30,709,068	27,295,266
Less: Business cost		
Tax and surcharge	246,465	5,136,944
Sales expense		
Administrative expense	97,263,171	70,540,224
Financial expenses	29,932,558	19,800,295
Asset impairment loss	-46,118	7,706
Plus: Investment income (“-“for loss)	231,537,606	
Income on disposal assets (“-“for loss)	2,440	
Other Income	991,880	18,000
II. Operating profit	135,844,918	-68,171,903
Add: Non-operating revenue	123,450	794,380
Less: Non-operating expenses	277	
III. Total profit (“-“for loss)	135,968,091	-67,377,523

Less: Income tax (expenses)/revenue		
IV. Net profit (“-“for loss)	135,968,091	-67,377,523
Net profit for continuing operations (“-“for loss)	135,968,091	-67,377,523
V. Total comprehensive income	135,968,091	-67,377,523
VI. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Balance of this period	Balance of last period
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	5,795,543,089	5,472,732,654
Refund of taxes and surcharges	14,619,913	7,273,335
Cash received relating to other operating activities	63,866,925	68,210,702
Sub-total of cash inflows	5,874,029,927	5,548,216,691
Cash paid for goods and services	3,670,547,749	3,278,955,888
Cash paid to and on behalf of employees	723,605,247	617,464,364
Payments of taxes and surcharges	404,939,607	380,644,776
Cash paid relating to other operating activities	310,373,236	251,262,209
Sub-total of cash outflows	5,109,465,839	4,528,327,237
Net cash flows from/(used in) operating activities	764,564,088	1,019,889,454
II. Cash flows from investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,466,136	44,820
Cash received relating to other investing activities	3,725,277	24,039,200
Sub-total of cash inflows	7,191,413	24,084,020
Cash paid to acquire fixed assets, intangible assets and other long-term assets	268,526,891	731,954,148
Cash paid relating to other investing activities	58,691,979	31,475,182
Sub-total of cash outflows	327,218,870	763,429,330
Net cash flows (used in)/from investing activities	-320,027,457	-739,345,310
III. Cash flows from financing activities		
Cash received from borrowings	2,870,654,472	1,452,919,750

Cash received relating to other financing activities	16,276,534	1,666,591,530
Sub-total of cash inflows	2,886,931,006	3,119,511,280
Cash repayments of borrowings	1,777,250,000	2,924,757,768
Cash payments for interest expenses and distribution of dividends or profits	293,602,183	123,450,004
Cash payments relating to other financing activities	362,001,673	3,451,507
Sub-total of cash outflows	2,432,853,856	3,051,659,279
Net cash flows (used in)/from financing activities	454,077,150	67,852,001
4. Effect of foreign exchange rate changes on cash and cash equivalents	-113,600	-912,613
5. Net increase/(decrease) in cash and cash equivalents	898,500,181	347,483,532
Add: Cash and cash equivalents at beginning of current period	2,459,753,165	584,566,990
6. Cash and cash equivalents at end of current period	3,358,253,346	932,050,522

6. Cash Flow Statement of the Parent Co.

Unit: RMB

Item	Balance of this period	Balance of last period
I. Cash flows from operating activities		
Cash received relating to other operating activities	22,667,417	4,843,988
Sub-total of cash inflows	22,667,417	4,843,988
Cash paid to and on behalf of employees	63,635,591	33,652,141
Payments of taxes and surcharges	1,057,736	6,095,316
Cash paid relating to other operating activities	15,743,250	12,279,684
Sub-total of cash outflows	80,436,577	52,027,141
Net cash flows from/(used in) operating activities	-57,769,160	-47,183,153
II. Cash flows from investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,440	
Cash received relating to other investing activities		5,000,000
Sub-total of cash inflows	2,440	5,000,000
Cash paid to acquire fixed assets, intangible assets and other long-term assets	4,544,893	565,260
Cash paid for investing activities	36,750,000	
Sub-total of cash outflows	41,294,893	565,260
Net cash flows (used in)/from investing	-41,292,453	4,434,740

activities		
III. Cash flows from financing activities		
Cash received from borrowings	2,190,000,000	990,693,638
Cash received relating to other financing activities	125,399,471	1,806,455,260
Sub-total of cash inflows	2,315,399,471	2,797,148,898
Cash repayments of borrowings	1,140,000,000	2,496,723,365
Cash payments for interest expenses and distribution of dividends or profits	164,279,306	2,213,425
Sub-total of cash outflows	1,304,279,306	2,498,936,790
Net cash flows (used in)/from financing activities	1,011,120,165	298,212,108
4. Effect of foreign exchange rate changes on cash and cash equivalents	-1,253,410	855,016
5. Net increase/(decrease) in cash and cash equivalents	910,805,142	256,318,711
Add: Cash and cash equivalents at beginning of current period	1,680,672,390	301,637,933
6. Cash and cash equivalents at end of current period	2,591,477,532	557,956,644

7. Statement of Change in Owners' Equity (Consolidated)

Amount of this term

Unit: RMB

Item	Amount of the Current Term								
	Owners' Equity Attributable to the Parent Company							Minority shareholders' equity	Total shareholders' equity
	Share capital	Capital surplus	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits		
I. Balance at the end of the previous year	2,484,147,547	1,306,381,765	417,349,879	1,948,943	3,224,938	920,592,332	4,159,642,227	321,035,238	8,779,623,111
Plus: change of accounting policy									
Correction of errors in previous periods									
II. Balance at the beginning of current year	2,484,147,547	1,306,381,765	417,349,879	1,948,943	3,224,938	920,592,332	4,159,642,227	321,035,238	8,779,623,111
III. Amount of change in current term ("-" for decrease)	372,622,131	-276,986,631	-4,709,630	692,018	763,098		228,795,729	6,244,964	336,840,939
(I) Total amount of the comprehensive income				692,018			352,837,153	6,244,964	359,774,135
(II) Capital paid in and reduced by owners		95,635,500	-4,709,630						100,345,130
1. Common shares invested by the shareholders		95,635,500							95,635,500
2. Others			-4,709,630						4,709,630
(III) Profit distribution							-124,041,424		-124,041,424

1. Appropriations to surplus reserves									
2. Appropriations to owners (or shareholders)							-124,041,424		-124,041,424
(IV) Internal carry-forward of owners' equity	372,622,131	-372,622,131							
New increase of capital (or share capital) from capital public reserves	372,622,131	-372,622,131							
(V) Specific reserve					763,098				763,098
1. Withdrawn for the period					4,150,167				4,150,167
2. Used in the period					3,387,069				3,387,069
IV. Balance at the end of this term	2,856,769,678	1,029,395,134	412,640,249	2,640,961	3,988,036	920,592,332	4,388,437,956	327,280,202	9,116,464,050

Amount of last year

Unit: RMB

Item	Amount of the same period of last year								
	Owners' Equity Attributable to the Parent Company							Minority shareholders' equity	Total shareholders' equity
	Share capital	Capital surplus	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits		
I. Balance at the end of the previous year	2,075,335,560	1,260,702,197		4,653,971	5,843,473	888,508,230	3,573,871,573	320,276,015	8,129,191,019
Plus: change of accounting policy									
Correction of errors in previous periods									

II. Balance at the beginning of current year	2,075,335,560	1,260,702,197		4,653,971	5,843,473	888,508,230	3,573,871,573	320,276,015	8,129,191,019
III. Amount of change in current term (“-“for decrease)	408,811,987	45,679,568	417,349,879	-2,705,028	-2,618,535	32,084,102	585,770,654	759,223	650,432,092
(I) Total amount of the comprehensive income				-2,705,028			825,388,312	3,247,723	825,931,007
(II) Capital paid in and reduced by owners	97,511,654	356,979,901	417,349,879						37,141,676
1. Common shares invested by the shareholders									
2. Capital invested by the owners of other equity instruments									
3. Amounts of share-based payments recognized in owners' equity	97,511,654	328,032,920	417,349,879						8,194,695
4. Others		28,946,981							28,946,981
(III) Profit distribution						32,084,102	-239,617,658	-2,488,500	-210,022,056
1. Appropriations to surplus reserves						32,084,102	-32,084,102		
2. Appropriations to general risk provisions									
3. Appropriations to owners (or shareholders)							-207,533,556	-2,488,500	-210,022,056
(IV) Internal carry-forward of owners' equity	311,300,333	-311,300,333							
1. New increase of capital (or share capital) from capital public reserves	311,300,333	-311,300,333							

(V) Specific reserve					-2,618,535				-2,618,535
1. Withdrawn for the period					7,831,127				7,831,127
2. Used in the period					10,449,662				10,449,662
(VI) Others									
IV. Balance at the end of this term	2,484,147,547	1,306,381,765	417,349,879	1,948,943	3,224,938	920,592,332	4,159,642,227	321,035,238	8,779,623,111

8. Statement of Change in Owners' Equity (Parent Co.)

Amount of this term

Unit: RMB

Item	Amount of the Current Term							
	Share capital	Capital surplus	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of the previous year	2,484,147,547	1,451,209,079	417,349,879			935,137,692	529,327,954	4,982,472,393
Plus: change of accounting policy								
Correction of errors in previous periods								
II. Balance at the beginning of current year	2,484,147,547	1,451,209,079	417,349,879			935,137,692	529,327,954	4,982,472,393
III. Amount of change in current term ("-" for decrease)	372,622,131	-276,986,631	-4,709,630				11,926,667	112,271,797
(I) Total amount of the comprehensive income							135,968,091	135,968,091
(II) Capital paid in and reduced by owners		95,635,500	-4,709,630					100,345,130

1. Amounts of share-based payments recognized in owners' equity		95,635,500						95,635,500
2. Others			-4,709,630					4,709,630
(III) Profit distribution							-124,041,424	-124,041,424
1. Appropriations to surplus reserves								
2. Appropriations to owners (or shareholders)							-124,041,424	-124,041,424
(IV) Internal carry-forward of owners' equity	372,622,131	-372,622,131						
New increase of capital (or share capital) from capital public reserves	372,622,131	-372,622,131						
IV. Balance at the end of this term	2,856,769,678	1,174,222,448	412,640,249			935,137,692	541,254,621	5,094,744,190

Amount of last year

Unit: RMB

Item	Amount of the same period of last year							
	Share capital	Capital surplus	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance at the end of the previous year	2,075,335,560	1,405,529,511				903,053,590	448,104,587	4,832,023,248
Plus: change of accounting policy								
Correction of errors in previous periods								

II. Balance at the beginning of current year	2,075,335,560	1,405,529,511				903,053,590	448,104,587	4,832,023,248
III. Amount of change in current term (“-“for decrease)	408,811,987	45,679,568	417,349,879			32,084,102	81,223,367	150,449,145
(I) Total amount of the comprehensive income							320,841,025	320,841,025
(II) Capital paid in and reduced by owners	97,511,654	356,979,901	417,349,879					37,141,676
1. Amounts of share-based payments recognized in owners’ equity	97,511,654	328,032,920	417,349,879					8,194,695
2. Others		28,946,981						28,946,981
(III) Profit distribution						32,084,102	-239,617,658	-207,533,556
1. Appropriations to surplus reserves						32,084,102	-32,084,102	
2. Appropriations to owners (or shareholders)							-207,533,556	-207,533,556
(IV) Internal carry-forward of owners’ equity	311,300,333	-311,300,333						
1. New increase of capital (or share capital) from capital public reserves	311,300,333	-311,300,333						
IV. Balance at the end of this term	2,484,147,547	1,451,209,079	417,349,879			935,137,692	529,327,954	4,982,472,393

III. Basic Information of the Company

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 June 30, 2018, the registered capital was RMB 2,856,769,678, with nominal value of RMB 1 per share.

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

The main subsidiaries included in the scope of consolidation this year are detailed in the notes.

The financial statements were authorised for issue by the Board of Directors on August 27, 2018.

IV. Basis of the preparation of financial statements

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.

2. Going concern

As at June 30, 2018, the Group current liabilities exceed current assets about RMB 1,466 million and committed capital expenditure of about RMB 218 million. 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, From January to June 2018, the net cash inflow from operation activities is approximately RMB 765 million; 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 June 30, 2018, the Group had unutilised banking facilities of approximately RMB 5.4 billion, among which long-term banking facilities were about RMB 251 million. In addition, the shareholder of the Group or other appointed related parties are willing to provide the Group with RMB 2 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

V. 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, inventory costing method, amortisation of property, plant and equipment and intangible assets, criteria for determining capitalised development expenditure, and timing for revenue recognition.

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

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the first half year of 2018 truly and completely present the financial position as of June 30, 2018 and the operating results, cash flows and other information for the first half year of 2018 of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

2. Accounting period

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

3. Operating cycle

The Company's operating cycle starts on 1 January and ends on 31 December.

4. Recording currency

The recording currency is Renminbi (RMB). The economic environment of subsidiaries, Hong Kong Southern Glass Trading Limited and China Southern Glass (Hong Kong) Limited, determines their recording currency is Hong Kong dollar. The recording currency in this report is Renminbi (RMB).

5. Business combinations

(a) Business combinations involving entities 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 entities 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. Preparation of consolidated financial statements

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

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

(a) Foreign currency transaction

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

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

(b) Translation of foreign currency financial statements

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

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 the period.

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.

Available-for-sale financial assets

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

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. The related transaction costs that are attributable to the acquisition of receivables and available-for-sale financial assets are included in their initial recognition amounts.

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

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

(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 the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in owner's equity, is recognised in profit or loss.

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

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

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. During valuation, the

Group adopts a valuation technique suitable for current situation, which is supported by sufficient available data and other information, chooses the inputs consistent with the feature of assets or liabilities considered in the transaction thereof with market participants, and uses related observable inputs in preference to the greatest extent. Unobservable inputs are used when it is unable to obtain or is infeasible for related observable inputs.

10. Recognition standard impairment and receivables

(1) Bad debt provision on receivable accounts with major amount individually

Basis of recognition or standard amount of Receivables that are individually significant	The amount individually greater than 20 million.
Basis of bad debt provision on receivable accounts with major amount individually	Receivables that are individually significant are subject to separate impairment assessment. A provision for impairment of the receivable is recognized if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.

(2) Receivables that are provided for provision based on their credit risk characteristics

Name of the portfolio	Basis of bad debt provision
Portfolio 1	according to percentage of balance method
Portfolio 2	according to percentage of balance method

Accounts on aging analysis basis in the portfolio:

Applicable Non-applicable

Accounts on percentage basis in the portfolio:

Applicable Non-applicable

Name of the portfolio	Percentage of provision for accounts receivable(%)	Percentage of provision for other receivables(%)
Portfolio 1	2%	2%
Portfolio 2	2%	2%

Accounts on other basis in the portfolio:

Applicable Non-applicable

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

Reason for providing bad debt individually:	A provision for impairment of the receivable is recognized if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.
Basis of bad debt provision:	The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

11. Inventories

(a) Classification

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

(b) Inventory costing method

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

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

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

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

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(e) The Group adopts the perpetual inventory system.

12. 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 only to terms that are usual and customary for sales of such non-current asset or disposal group; (2) the group has signed with other parties legally binding sale agreement and approval has been obtained, is expected to the sale will be completed within one year.

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

Earnings from discontinued operations stated in the income statement include operating profit and loss and disposal gains and losses.

13. 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 method of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss.

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

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, its proportionate share is directly recorded into capital surplus, provided that the proportion of shareholding of the Group in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit

distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between the Group and its investees attributable to asset impairment losses are not eliminated.

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

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

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

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount.

14. Fixed assets

(1) 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 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 time of acquisition.

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

(2) 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:

Categories	Depreciation methods	Period of depreciation	Estimated net residual value	Annual depreciation rate
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Buildings	straight-line method	20 to 35 years	5%	2.71% ~ 4.75%
Machinery and equipment	straight-line method	8 to 20 years	5%	4.75%~11.88%
Motor vehicles and others	straight-line method	5 to 8 years	0%	12.50%~20.00%

15. 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.

16. 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.

17. Intangible assets

(1) Valuation method, service life and impairment test

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.

(e) Impairment of intangible assets

Book value of intangible assets is reduced to the recoverable amount when the recoverable amount is below book value.

(2) Internal research and development expenditure accounting policy

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.

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.

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. 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.

20. Employee benefits

(1) Short-term employee benefits accounting method

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.

(2) Post-employment benefits accounting method

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.

(3) 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.

(4) Termination benefits accounting method

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.

21. 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.

22. 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 option stock 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 option stock 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 should be regarded as exercisable right, no matter the market conditions and non-vesting conditions are met 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.

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 confirmed 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.

23. Revenue

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

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

(a) Sales of goods

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

(b) Rendering of services

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

(c) Transfer of asset use rights

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

24. Government grants

(1) Judgment basis and accounting method of government grants related to an asset

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

The government subsidies related to assets will be used to write off the book value of assets concerned, or be recognized as the deferred gains and be booked into the gains and losses in a reasonable and systematic manner over the useful life of the assets concerned.

(2) Judgment basis and accounting method of government grants related to income

The government grants related to income refer to grants other than those related to assets.

The income-related government subsidy which is used to compensate for costs or losses associated with the subsequent periods will be recognized as deferred gains and is recorded as current gains or losses or offsets related costs during the period in which the relevant cost costs or losses are recognized; The income-related government subsidy which is used to compensate for related costs or losses incurred will be directly included in current profits or losses or related costs. The group adopts the same presentation method for similar government grants.

(3) Judgment basis and accounting method of government grants related to ordinary activities.

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

25. 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.

26. Leases

(1) Accounting method of operating 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.

(2) Accounting method of financing lease

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.

27. Safety production costs

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

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

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

28. Segment information

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

29. Significant changes in accounting policies

(1) Changes in significant accounting policies

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable

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 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 forecasted and discounted with appropriate discount rate.

VI. Taxation

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

Tax item	Tax basis	Tax rate
Value-added tax (“VAT”)	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%-17%
City maintenance and construction tax	VAT paid	1%-7%
Enterprise income tax	Taxable income	0%-25%
Educational surcharge	VAT paid	3%-5%
Resource tax	Sales volume of silica	6.5%

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. Currently in the review of high and new tech enterprise, this report period temporary by 15% income tax rate.

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 Panel Glass Co., Ltd. (“Hebei Panel”) 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. Currently in the review of high and new tech enterprise, this report period temporary by 15% income tax rate.

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. Currently in the review of high and new tech enterprise, this report period temporary by 15% income tax rate.

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.

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.

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.

3. Others

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

VII. Notes to the consolidated financial statements

1. Cash at bank and on hand

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Cash on hand	14,984	36,182
Cash at bank	3,358,238,362	2,409,716,983
Other cash balances	13,791,823	52,852,599
Total	3,372,045,169	2,462,605,764

Other cash balances include margin deposits for the application of opening letter of credit and loan from the bank, amounting to RMB 13,791,823 (Dec. 31,2017: RMB 2,852,599), which is restricted cash.

2. Notes receivable

(1) Notes receivable listed by classification

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
Bank acceptance notes	443,248,211	222,826,841
Trade acceptance notes	345,830,165	329,405,579
Total	789,078,376	552,232,420

(2) Notes receivable which have been endorsed or discounted at the end of the term by the Group but are not yet due are as follows:

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance notes	2,358,041,319	
Trade acceptance notes		150,400,507
Total	2,358,041,319	150,400,507

3. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB

Category	End of term					Beginning of term				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
With amounts that are individually significant but that the related provision for bad debts is provided on the individual basis										
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	710,368,384	97%	14,207,893	2%	696,160,491	636,614,136	96%	12,233,039	2%	624,381,097
With amounts that are not individually significant but that the related provision for	19,750,276	3%	8,535,399	43%	11,214,877	23,536,221	4%	9,679,028	41%	13,857,193

bad debts is provided on the individual basis										
Total	730,118,660	100%	22,743,292	3%	707,375,368	660,150,357	100%	21,912,067	3%	638,238,290

Accounts receivable with large amount individually and bad debt provisions were provided

Applicable Non-applicable

Accounts receivable on which bad debt provisions are provided on age analyze basis in the portfolio

Applicable Non-applicable

Accounts receivable on which bad debt provisions are provided on percentage analyze basis in a portfolio

Applicable Non-applicable

Unit: RMB

Name of portfolio	Closing balance		
	Accounts receivable	Bad debt provision	Proportion %
Portfolio 1	710,368,384	14,207,893	2%
Total	710,368,384	14,207,893	2%

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the report period was of RMB 7,311,182. The amount of the reversed or collected part during the report period was of RMB 3,725,813.

(3) The actual write-off accounts receivable

Unit: RMB

Item	Write-off amount
Accounts receivable	2,754,144

The receivables actually written off during the year amounted to RMB 2,754,144, 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.

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

As at June 30, 2018, the top 5 of the closing balance of the accounts receivable collected according to the arrears party were collected and analyzed as follows:

	Balance	Provision for bad debts	Percentage in total accounts receivable balance
Total balances for the five largest accounts receivable	100,227,996	2,004,560	14%

4. Advances to suppliers

(1) Listed by aging analysis

Unit: RMB

Age	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
within 1 year	109,057,887	89%	130,813,397	91%
1 to 2 years	102,035		264,952	
2 to 3 years	72,952		12,769,674	9%
over 3 years	12,769,674	11%		
Total	122,002,548	--	143,848,023	--

As at June 30, 2018, advances to suppliers ageing over one-year amount to RMB 12,944,661 (December 31 2017: RMB 13,034,626). They were mainly for prepaid gas and material purchases, and the payment had not been selected because the materials had not been received.

(2) Top 5 of the closing balance of the advances to suppliers collected according to the target

As at June 30, 2018, the top five largest advances to suppliers are set out as below:

	Balance	Percentage in total advances balance
Total advances for the five largest advances	56,202,340	46%

5. Other account receivable

(1) Other accounts receivable disclosed by category:

Unit: RMB

Category	End of term					Beginning of term				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
With amounts that are individually significant but that the related provision for bad debts is provided on the individual basis										

Accounts receivable withdrawn bad debt provision according to credit risks characteristics	213,536,126	100%	4,265,739	2%	209,270,387	210,136,518	100%	4,197,499	2%	205,939,019
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	322,905		322,905	100%		322,905		322,905	100%	
Total	213,859,031	100%	4,588,644	2%	209,270,387	210,459,423	100%	4,520,404	2%	205,939,019

Other accounts receivable with large amount and were provided bad debt provisions individually at end of period.

Applicable Non-applicable

Other accounts receivable in the portfolio on which bad debt provisions were provided on age analyze basis

Applicable Non-applicable

Other accounts receivable in the portfolio on which bad debt provisions were provided on percentage basis

Applicable Non-applicable

Unit: RMB

Name of portfolio	Closing balance		
	Other receivable accounts	Provision for bad debts	proportion
Portfolio 1	42,536,126	845,739	2%
Portfolio 2	171,000,000	3,420,000	2%
Total	213,536,126	4,265,739	2%

Other accounts receivable in the portfolio on which bad debt provisions were provided on other basis

Applicable Non-applicable

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the report period was of RMB150,117. The amount of the reversed or collected part during the report period was of RMB 81,877.

(3) Other accounts receivable classified by the nature of accounts

Unit: RMB

Nature	Closing balance	Opening balance
Receivables from related parties	171,000,000	171,000,000
Refundable deposits	20,162,058	16,957,562

Payments made on behalf of other parties	13,889,009	19,306,658
Petty cash	1,519,176	875,714
Others	7,288,788	2,319,489
Total	213,859,031	210,459,423

(4) Top 5 of the closing balance of the other accounts receivable collated according to the arrears party

Unit: RMB

Name of the companies	Nature of business	Closing balance	Ages	Proportion of the total year end balance of the accounts receivable	Closing balance of bad debt provision
Industrial					
Company A	Related parties	171,000,000	4 to 5 years	80%	3,420,000
Governmental department B	Independent third party	11,067,754	3 to 4 years	5%	221,355
Company C	Independent third party	5,000,000	1 to 2 years	2%	100,000
Company D	Independent third party	3,350,000	Within 1 year	2%	67,000
Governmental department E	Independent third party	2,728,214	Within 1 year	1%	54,564
Total	--	193,145,968	--	90%	3,862,919

6. Inventories

(1) Categories of inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for decline in the value	Book value	Carrying amount	Provision for decline in the value	Book value
Raw materials	209,815,202	1,444,252	208,370,950	213,348,012	1,447,590	211,900,422
Products in process	20,713,776		20,713,776	45,614,905		45,614,905
Products in stock	443,933,341	68,974	443,864,367	387,489,714	68,974	387,420,740
Material in circulation	40,673,556		40,673,556	40,959,250		40,959,250
Total	715,135,875	1,513,226	713,622,649	687,411,881	1,516,564	685,895,317

(2) Provision for decline in the value of inventories

Unit: RMB

Category	Opening balance	Increased in this term		Decreased in this term		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,447,590			3,338		1,444,252
Products in stock	68,974					68,974
Total	1,516,564			3,338		1,513,226

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
Products in stock	The amount of carrying amount less than that of net realisable value due to decline in price of products	Sold
Raw materials	The amount of book value more than that of net realisable value due to sluggish or damaged raw materials	Used

7. Assets classified as held for sale

Unit: RMB

Item	carrying amounts at the end of period	Fair value	Estimated disposal costs	Estimated disposal time
Intangible assets	15,048,314	18,390,394		
Construction in progress	30,935,206	37,805,606		
Total	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 Chaoying Textile Co., LTD. (Dongguan Chaoying Company) on 17 June 2016. Dongguan CSG PV-tech sells its land use right along with the buildings on the land to Dongguan Chaoying Company. Therefore, the construction-in-progress and intangible assets of Dongguan CSG PV-tech were transferred to assets held for sale. By the end of this reporting period, the above transfer procedures have not been completed.

8. Other current assets

Item	Closing balance	Opening balance
VAT to be offset	154,548,103	181,667,326
Enterprise income tax prepaid	2,198,301	1,132,508
VAT input to be recognised	22,057,351	18,048,155
Total:	178,803,755	200,847,989

9. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Buildings	Machinery and equipment	Motor vehicles	Total
I. Original book value:				
1. Opening balance	3,999,368,700	12,462,823,260	208,292,757	16,670,484,717
2. Increased amount of the period				
(1) Acquisition	71,132	7,573,067	3,439,675	11,083,874
(2) Transfers from construction in progress	10,251,332	430,457,709	2,839,472	443,548,513
(3) Others	6,596,592	18,819,685	2,274,639	27,690,916
3. Decreased amount of the period				
(1) Disposal or retirement		19,245,299	2,743,499	21,988,798
(2) Transfer to construction in progress		145,340,491		145,340,491
4. Closing balance	4,016,287,756	12,755,087,931	214,103,044	16,985,478,731
II. Accumulative depreciation				
1. Opening balance	751,518,811	3,908,894,072	188,549,283	4,848,962,166
2. Increased amount of the period				
(1) Provision	63,278,467	422,717,038	11,716,224	497,711,729
3. Decreased amount of the period				
(1) Disposal or retirement		4,968,193	2,715,456	7,683,649
(2) Transferred to construction in progress		117,366,019		117,366,019
4. Closing balance	814,797,278	4,209,276,898	197,550,051	5,221,624,227
III. Depreciation reserves				
1. Opening balance	10,580,861	270,171,993		280,752,854
2. Increased amount of the period				
(1) Provision				
3. Decreased amount of the period				
(1) Disposal or retirement		11,196,033		11,196,033
4. Closing balance	10,580,861	258,975,960		269,556,821
IV. Book value				
1. Closing book value	3,190,909,617	8,286,835,073	16,552,993	11,494,297,683
2. Opening book value	3,237,269,028	8,283,757,195	19,743,474	11,540,769,697

(2) Fixed assets with pending certificates of ownership

Unit: RMB

Items	Book value	Reason for not yet obtaining certificates of title
Buildings	825,479,080	Have submitted the required documents and are in the process of application, or the related land use right certificate pending

10. Construction in process**(1)Particulars of construction in process**

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment loss	Carrying amount	Carrying amount	Provision for impairment loss	Carrying amount
Xianning CSG Photoelectric Glass project	460,524,423		460,524,423	400,665,493		400,665,493
Yichang display device company flat panel display project	321,772,258	14,160,474	307,611,784	298,794,622	14,160,474	284,634,148
Yichang Optoelectronic Technology Reform Project	1,117,944		1,117,944	242,055,237		242,055,237
Hebei float 600T tech-innovation project	116,421,995		116,421,995	113,762,853		113,762,853
Zhanjiang Photovoltaic 20MW Step-by-step Photovoltaic Power Plant Project	4,239,529		4,239,529	100,570,104		100,570,104
Dongguan Solar Glass Phase I and II improvement project	78,970,995	40,248,018	38,722,977	78,970,995	40,248,018	38,722,977
Wujiang energy glass expansion project	70,936,821	19,876,460	51,060,361	72,600,518	19,876,460	52,724,058
Yichang 1GW silicon slice project	48,653,281		48,653,281	43,617,802		43,617,802
LED Sapphire Substrate Project	31,762,102	19,303,853	12,458,249	30,886,629	19,303,853	11,582,776
Wujiang Photovoltaic Packaging Materials Project	4,805,466		4,805,466	7,414,854		7,414,854
Dongguan PV Tech 200MW PV-tech Battery Expansion project	1,541,388		1,541,388	1,179,935		1,179,935
Dongguan Solar Glass new photovoltaic glass project	32,491,564		32,491,564	1,888,363		1,888,363
others	111,616,450	405,983	111,210,467	119,212,001	405,983	118,806,018

Total	1,284,854,216	93,994,788	1,190,859,428	1,511,619,406	93,994,788	1,417,624,618
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(2) Movement of significant project

Unit: RMB

Projects	Budget	Opening balance	Increased this term	Transfer to fixed assets in this term	Other decreases in this term	Closing balance	Proportion between engineering input and budget	Progress	Accumulate of interest capitalized	Including: interest capitalized this term	Capitalizing rate of interest this term	Fund recourse
Xianning CSG Photoelectric Glass project	510,000,000	400,665,493	59,858,930			460,524,423	91%	100%	14,047,509	6,276,896	4.75%	Internal fund and bank loan
Yichang display device company flat panel display project	1,970,000,000	298,794,622	23,438,436	460,800		321,772,258	82%	85%	6,607,890	2,463,731	4.47%	Internal fund and bank loan
Yichang Optoelectronic Technology Reform Project	258,296,536	242,055,237	9,970,569	250,054,605	853,257	1,117,944	100%	100%				Internal fund
Hebei float 600T tech-innovation project	145,750,000	113,762,853	2,659,142			116,421,995	14%	15%	163,839	163,839	4.94%	Internal fund and bank loan
Zhanjiang Photovoltaic 20MW Step-by-step Photovoltaic Power Plant Project	133,000,000	100,570,104		92,218,630	4,111,945	4,239,529	100%	100%	2,280,097			Internal fund and bank loan

Dongguan Solar Glass Phase I and II improvement project	396,410,000	78,970,995				78,970,995	80%	81%				Internal fund
Wujiang energy glass expansion project	845,630,000	72,600,518	1,396,512	2,899,013	161,196	70,936,821	100%	100%	20,120,444			Internal fund and bank loan
Yichang 1GW silicon slice project	1,073,209,600	43,617,802	5,081,198	45,719		48,653,281	39%	60%	10,105,307	1,475,314	5.15%	Internal fund and bank loan
LED Sapphire Substrate Project	35,000,000	30,886,629	875,473			31,762,102	88%	88%	4,650,543			Internal fund and bank loan
Wujiang Photovoltaic Packaging Materials Project	520,100,000	7,414,854	22,910,266	24,771,759	747,895	4,805,466	95%	100%				Internal fund and bank loan
Dongguan PV Tech 200MW PV-tech Battery Expansion project	697,000,000	1,179,935	1,094,726	733,273		1,541,388	100%	100%	32,417,335			Internal fund and bank loan
Dongguan Solar Glass new photovoltaic glass project	60,000,000	1,888,363	30,603,201			32,491,564	57%	80%				Internal fund
others	1,283,748,333	119,212,001	64,904,542	72,364,714	135,379	111,616,450			8,789,090	9,388		Internal fund and bank loan
Total	7,928,144,469	1,511,619,406	222,792,995	443,548,513	6,009,672	1,284,854,216	--	--	99,182,054	10,389,168		--

11. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Exploitation rights	Others	Total
I. Original book value:					
1. Opening balance	1,026,603,700	246,011,919	4,456,536	36,106,710	1,313,178,865
2. Increased amount of this period					
(1) Acquisition		25,361		278,387	303,748
(2) Internal R&D		9,191,305			9,191,305
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	1,026,603,700	255,228,585	4,456,536	36,385,097	1,322,673,918
II. Accumulated amortisation					
1. Opening balance	149,057,265	74,985,236	3,706,724	24,996,753	252,745,978
2. Increased amount of this period					
(1) Provision	10,193,270	9,333,131	200,321	3,427,051	23,153,773
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	159,250,535	84,318,367	3,907,045	28,423,804	275,899,751
III. Impairment provision					
1. Opening balance		13,201,347		9,133	13,210,480
2. Increased amount of this period					
(1) Provision					
3. Decreased amount of this period					
(1) Disposal					
4. Closing balance		13,201,347		9,133	13,210,480
IV. Book value					
1. Closing book value	867,353,165	157,708,871	549,491	7,952,160	1,033,563,687
2. Opening book value	877,546,435	157,825,336	749,812	11,100,824	1,047,222,407

At the end of the period, the intangible assets arising from internal research and development accounted for 12.98% of total of intangible assets.

(2) Land use rights not licensed yet

Unit: RMB

Item	Book value	Reason for not yet obtaining certificates of title
Land	5,351,068	in the process

As at June 30, 2018, ownership certificates of land use right (“Land ownership Certificates”) for certain land use rights of the Group with carrying amounts of approximately RMB 5,351,068 (cost: RMB 6,586,712) had not yet been obtained by the Group (as at December 31, 2017, carrying amount: RMB 5,473,442, cost: RMB 6,586,712). The Company’s management is 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.

12. Development expenditure

Unit: RMB

Item	Opening balance	The increased amount in the period	The decrease amount in the period	Closing balance
		Internal development expenditure	Recognised as intangible assets	
Development expenditure	61,365,537	19,803,682	9,191,305	71,977,914
Total	61,365,537	19,803,682	9,191,305	71,977,914

During Jan.-Jun. 2018, the total amount of research and development expenditures of the Group was RMB 185,844,867 (Jan.-Jun. 2017: RMB 166,809,377), including RMB 166,041,185 (Jan.-Jun. 2017: RMB 151,590,181) recorded in income statement for current period and the research and development expenditure with the amount of RMB 9,191,305 recognised as intangible assets for the current period (Jan.-Jun. 2017: 6,097,439). As at June 30, 2018, the intangible assets arising from internal research and development accounted for 12.98 % of total of intangible assets (31 December 2017: 12.37 %).

13. Goodwill**(1) Book value of goodwill**

Unit: RMB

Name of the companies or goodwill item	Opening balance	Increased this term	Decreased this term	Closing balance
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
Total	397,392,156			397,392,156

14. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increased this term	Amortized this term	Closing balance
Expenses to be amortized	2,223,397	10,823,584	794,984	12,251,997
Total	2,223,397	10,823,584	794,984	12,251,997

15. Deferred income tax asset/deferred income tax liabilities**(1) Deferred income tax assets had not been off-set**

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairments	358,728,456	53,970,832	361,149,562	55,552,592
Deductible loss	186,903,882	33,564,573	133,658,792	24,457,319
Government grants	174,742,139	27,365,959	128,189,967	20,424,022
Accrued expenses	49,145,573	7,371,836	50,193,405	7,529,011
Depreciation of fixed assets	20,764,321	4,607,204	33,762,174	8,000,331
Share payment	62,178,136	10,200,424	5,196,945	867,677
Total	852,462,507	137,080,828	712,150,845	116,830,952

(2) Deferred tax liabilities before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	399,860,322	61,379,387	371,115,284	56,874,044
Total	399,860,322	61,379,387	371,115,284	56,874,044

(3) The net balances of deferred tax assets or liabilities

Unit: RMB

Item	Off-set amount of deferred income tax	Closing balance of deferred income tax	Off-set amount of deferred income tax	Opening balance of deferred income tax
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	assets and liabilities at the period-end	assets or liabilities after off-set	assets and liabilities at the period-beginning	assets or liabilities after off-set
Deferred tax assets	36,960,329	100,120,499	35,958,090	80,872,862
Deferred tax liabilities	36,960,329	24,419,058	35,958,090	20,915,954

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	521,381,041	425,759,321
Total	521,381,041	425,759,321

(5) Deductible losses of unrecognized deferred income tax assets will due the following years

Unit: RMB

Year	Closing balance	Opening balance	Note
2018 年	54,100,000	54,100,000	
2019 年	82,300,000	82,300,000	
2020 年	94,430,197	94,430,197	
2021 年	111,625,585	111,625,585	
2022 年	83,303,539	83,303,539	
2023 年	95,621,720		
Total	521,381,041	425,759,321	--

16. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayment of engineering equipment	79,656,620	45,431,352
Prepayment for lease of land use rights	6,510,000	6,510,000
Total	86,166,620	51,941,352

17. Short-term loans

(1) Categories of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
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Guaranteed loan	1,099,419,972	1,012,898,300
Unsecured loan	2,850,000,000	2,691,732,609
Total	3,949,419,972	3,704,630,909

As at June 30, 2018, the interest of short-term borrowings varied from 2.95% to 6.18% (31 December 2017: 2.70% to 5.66%).

18. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance notes	208,201,622	213,401,622
Total	208,201,622	213,401,622

19. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Materials payable	786,952,582	798,178,206
Equipment payable	293,681,363	329,926,045
Construction expenses payable	134,857,144	167,394,038
Freight payable	71,579,206	61,671,023
Utilities payable	31,002,278	35,973,405
Others	13,056,369	7,023,325
Total	1,331,128,942	1,400,166,042

(2) Significant accounts payable due for over one year

Unit: RMB

Item	Closing balance	Unpaid reason
Account payable for construction and equipments.	148,507,365	As the construction work had not passed the final acceptance test yet, the balance was not yet settled.
Total	148,507,365	--

20. Advances from customers

(1) List of advance from customers

Unit: RMB

Item	Closing balance	Opening balance
Advances from customers	183,976,533	195,563,465
Total	183,976,533	195,563,465

21. Employee benefits payable

(1) List of Employee benefits payable

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
I. Short-term employee benefits payable	272,144,440	736,129,597	825,838,639	182,435,398
II. Welfare after departure- defined contribution plans	26,220	55,521,053	55,369,081	178,192
Total	272,170,660	791,650,650	881,207,720	182,613,590

(2) List of short-term employee benefits

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
1. Wages and salaries, bonuses, allowances and subsidies	175,485,615	557,542,383	607,426,805	125,601,193
2. Social security contributions	13,752	22,071,046	21,990,590	94,208
Including: Medical insurance	12,358	18,579,525	18,510,496	81,387
Work injury insurance	984	2,270,598	2,261,771	9,811
Maternity insurance	410	1,220,923	1,218,323	3,010
3. Housing funds	2,758,371	23,814,977	24,343,892	2,229,456
4. Labour union funds and employee education funds	15,280,702	8,234,381	6,081,286	17,433,797
5. Management bonus (i)	78,606,000	28,831,310	70,360,566	37,076,744
6. Share payment (ii)		95,635,500	95,635,500	
Total	272,144,440	736,129,597	825,838,639	182,435,398

(3) List of defined contribution plans

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
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1. Basic pensions	25,388	53,602,090	53,455,510	171,968
2. Unemployment insurance	832	1,918,963	1,913,571	6,224
Total	26,220	55,521,053	55,369,081	178,192

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 first half of 2018, management bonuses amounting to RMB 31,000,000 (Jan.-Jun. 2017: RMB 35,700,000) 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 RMB 4.28 per share. The total fair value of the equity instruments granted to the incentive object by the company for the first time is RMB 289,519,900. 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".

In the first half of 2018, and the cost associated with equity incentive plan is confirmed at RMB 95,635,500 in this phase.

22. Tax payable

Unit: RMB

Item	Closing balance	Opening balance
Value-added-tax payable	37,724,917	48,496,225
Corporate income tax payable	41,970,446	35,100,800
Individual income tax payable	5,768,179	5,177,080
City maintenance and construction tax	2,888,985	4,261,902
Property tax payable	8,058,999	8,617,044
Education surcharge payable	2,430,091	3,348,566
environmental protection tax	2,926,779	
Others	5,844,303	6,995,147
Total	107,612,699	111,996,764

23. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	976,143	938,950
Interest payable for short-term borrowings	6,110,565	5,471,325

Interest payable for medium term notes	66,284,488	27,622,465
Total	73,371,196	34,032,740

24. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Restricted shares dividend	4,875,583	
Total	4,875,583	

25. Other account payable

(1) List of other account payable by nature

Unit: RMB

Item	Closing balance	Opening balance
Guarantee deposits received from construction contractors	60,768,771	49,624,256
Accrued cost of sales (i)	25,927,613	58,584,562
Temporary collection of payment for land transfer	55,496,000	56,196,000
Payable for contracted labour costs	17,614,260	17,568,695
Temporary receipts	15,621,231	7,964,070
Deposit for disabled	5,280,590	5,230,110
Restricted share repurchases obligation (ii)	412,474,296	417,349,879
Industrial production scheduling funds	15,000,000	
Others	12,357,872	6,806,782
Total	620,540,633	619,324,354

(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 this item, the repurchase obligation of restricted shares is recognized by the company as liabilities and meanwhile the treasury stock will be recognized in terms of corresponding amount.

26. Current portion of non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Current portion of long-term borrowings	234,000,000	194,880,000

Current portion of finance lease	707,647,396	709,381,397
Total	941,647,396	904,261,397

27. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Others	300,000	300,000
Total	300,000	300,000

28. Long-term borrowings

(1) Categories of long-term loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed	364,000,000	354,120,000
Medium term notes	2,000,000,000	1,200,000,000
Total	2,364,000,000	1,554,120,000

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 RMB 1,200,000,000, which expires on 28 May 2017.

On 14 July 2015, the Company issued the Phase I medium term notes of RMB 1,200,000,000 for 2015, with the maturity data of 14 July 2020 and annual rate of 4.94%.

Approved by file No. [2018] MTN157 of Inter-bank Market Trading Association, the Company is entitled to issue medium term notes with the limit of RMB 800,000,000, which expires on 20 March 2020.

On 4 May 2018, the Company issued the Phase I medium term notes of RMB 800,000,000 for 2018, with the maturity data of 4 May 2021 and annual rate of 7%.

As at 30 June 2018, the interest of long-term borrowings varied from 4.75%-7% (31 December 2017: 4.75%-5.94%).

29. Long-term account payable

(1) List of Long-term account payable by nature

Unit: RMB

Item	Closing balance	Opening balance
Finacial lease	866,214,017	1,161,794,247

The sale and leaseback lease of the group in this phase is a mortgage loan with a lease term of 36 months. On June 30, 2018, the real interest rate of financing lease loans is 4.49%-7.8%.

30. Deferred income

Unit: RMB

Item	Opening balance	Increase in current period	decrease in current period	Closing balance	Reason
Government grants	562,701,103	2,680,000	15,354,638	550,026,465	
Total	562,701,103	2,680,000	15,354,638	550,026,465	--

Government grants are analysed below:

Unit: RMB

Item in debt	Opening balance	Increase in current period	Included in non-business income	Account to other income in this period	Amount of cost and expense written down in current period	Other changes	Closing balance	Related to assets or income
Tianjin CSG Golden Sun Project (i)	53,717,119			1,687,446			52,029,673	Assets related
Dongguan CSG Golden Sun Project (ii)	43,328,250			1,375,500			41,952,750	Assets related
Hebei CSG Golden Sun Project (iii)	44,000,000			1,375,000			42,625,000	Assets related
Xianning CSG Golden Sun Project (iv)	47,982,917			1,515,250			46,467,667	Assets related
Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v)	39,628,898			2,020,769			37,608,129	Assets related
Qingyuan Energy-saving project (vi)	20,789,167			1,235,000			19,554,167	Assets related
Yichang Silicon products project (vii)	21,796,875			1,406,250			20,390,625	Assets related
Yichang CSG silicon	12,662,876			613,867			12,049,009	Assets related

slice auxiliary project (viii)								
Sichuan energy-saving glass project (ix)	10,475,460			827,010			9,648,450	Assets related
Group coating film experimental project (x)	7,526,280			941,880			6,584,400	Assets related
Yichang expert silicon project (xi)	3,599,883			153,331			3,446,552	Assets related
Yichang semiconductor silicon project (xii)	3,400,000			133,333			3,266,667	Assets related
Yichang CSG Display project (xiii)	50,836,604			1,267,239			49,569,365	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	Income related
Others	24,156,774	2,680,000		716,775	85,988		26,034,011	Assets related/Income related
Total	562,701,103	2,680,000		15,268,650	85,988		550,026,465	—

(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.

(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 and 15 years

(xii) 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

(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 of light guide plate production line, which is used to pay for Xianning CSG Glass Co. Ltd. constructing the project of photoelectric optical glass of light guide plate 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.

31. Share Capital

Unit: RMB

	Opening balance	Changed in the report period (+,-)					Closing balance
		New issues	Bonus issue	Transferred from reserves	Others	Sub-total	
Total of capital shares	2,484,147,547			372,622,131		372,622,131	2,856,769,678

32. Capital surplus

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
Capital premium (Share premium)	1,353,802,562		372,622,131	981,180,431
Other capital surplus	-47,420,797	95,635,500		48,214,703
Total	1,306,381,765	95,635,500	372,622,131	1,029,395,134

(i) The Company passed the 2017 annual general meeting of shareholders held on May 14, 2018 and transferred 1.5 shares to every 10 shares for all shareholders. The total share capital before the distribution was 2,484,147,547 shares, and the total share capital after the dividend was increased to 2,856,769,678 shares. Capital reserve decreased by RMB 372,622,131;

(ii) This year, due to the equity incentive plan, the share payment fee of RMB 95,635,500 was confirmed.

33. Treasury shares

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
Obligations of restricted share buybacks	417,349,879		4,709,630	412,640,249
Total	417,349,879		4,709,630	412,640,249

The Company calculated the amount determined based on the number of restricted stocks issued and the corresponding repurchase price, and confirmed the liabilities and treasury stocks. The decrease in treasury stocks was mainly due to the transfer of the restricted stock stocks during the report period.

34. Other comprehensive income

Unit: RMB

Item	Opening balance	Occuring in current period					Closing balance
		Amount incurred before	Less: Amount transferred into profit and loss in the	Less: income tax	After-tax attribute to the parent	After-tax attribute to minority	

		income tax	current period that recognized into other comprehensive income in prior period	expense	company	shareholder	
I. Other comprehensive income not reclassified into profit and loss in futur							
II. Other comprehensive income reclassified into profit and loss in future	1,948,943	692,018			692,018		2,640,961
Differences on translation of foreign currency financial statements	-601,057	692,018			692,018		90,961
Finance incentives for energy and technical transformation	2,550,000						2,550,000
Total of other comprehensive income	1,948,943	692,018			692,018		2,640,961

35. Special reserves

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
Safety production cost	3,224,938	4,150,167	3,387,069	3,988,036
Total	3,224,938	4,150,167	3,387,069	3,988,036

36. Surplus reserves

Unit: RMB

Item	Beginning of term	Increased this term	Decreased this term	End of term
Statutory surplus reserve	792,739,764			792,739,764
Discretionary surplus reserve	127,852,568			127,852,568
Total	920,592,332			920,592,332

37. Undistributed profits

Unit: RMB

Items	The current period	The same period of last year
Retained earnings at the end of the previous term before adjustment	4,159,642,227	3,576,949,573
Retained earnings at the beginning of this term	4,159,642,227	3,573,871,573

after adjustment		
Add: net profits belonging to equity holders of the Company	352,837,153	392,992,163
Less: Appropriations to statutory surplus reserve		
common stock dividends payable	124,041,424	207,533,556
Retained earnings in the end	4,388,437,956	3,759,330,180

38. Revenue and cost of sales

Unit: RMB

Item	Occurred in current term		Occurred in previous term	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	5,427,330,622	4,086,213,828	4,914,535,874	3,730,914,851
Revenue from other operations	43,838,976	13,282,926	29,801,987	6,599,611
Total	5,471,169,598	4,099,496,754	4,944,337,861	3,737,514,462

39. Tax and surcharge

Unit: RMB

Item	Occurred in current term	Occurred in previous term
City maintenance and construction tax	20,205,850	15,364,494
Educational surcharge	16,053,678	11,927,211
Housing property tax	15,231,539	14,797,102
Land use rights	10,028,066	11,043,223
Business tax	2,733,716	2,411,686
Environmental protection tax	5,879,730	
Others	1,797,967	6,202,059
Total	71,930,546	61,745,775

40. Selling Expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Freight expenses	83,319,840	76,391,481
Employee benefits	56,534,666	49,496,703
Entertainment expenses	6,061,293	5,674,868
Business travel expenses	4,909,377	5,113,500

Vehicle use fee	3,839,779	3,531,901
Rental expenses	3,085,489	3,029,551
Compensation	765,215	532,240
General office expenses	1,492,596	1,536,282
Depreciation expenses	494,202	482,108
Others	11,714,797	10,556,097
Total	172,217,254	156,344,731

41. Administrative Expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Research and development expenses	166,041,185	151,590,181
Employee benefits	237,887,025	135,166,127
Depreciation expenses	31,624,004	31,885,617
Amortisation of intangible assets	23,153,773	19,756,528
General office expenses	10,595,047	12,640,569
Labour union funds	7,756,982	7,083,212
Entertainment fees	7,056,600	4,800,751
Business travel expenses	5,348,267	4,486,643
Utility fees	4,734,267	4,529,626
Canteen costs	4,046,654	4,404,253
Vehicle use fee	3,268,588	2,966,987
Rental expenses	2,273,435	2,457,132
Consulting advisers	14,334,351	6,015,614
Others	22,433,824	14,771,100
Total	540,554,002	402,554,340

42. Finance Expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Interest expenses	203,531,507	143,194,586
Less: Interest income	23,033,418	4,186,712
Exchange losses	-1,568,225	2,109,890
Others	6,947,562	2,256,263

Total	185,877,426	143,374,027
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43. Asset impairment losses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Bad debt loss	3,653,609	1,108,695
Total	3,653,609	1,108,695

44. Asset disposal income

Unit: RMB

Source of income from assets disposal	Occurred in current term	Occurred in previous term
Gains on disposal of non-current assets	-567,830	-71,756

45. Other income

Unit: RMB

Source of other gains	Occurred in current term	Occurred in previous term
Government subsidy amortization	15,268,650	
Industry support funds	236,000	12,600,000
Research grants	1,423,460	6,479,492
Energy conservation and utilization support funds	7,000	128,116
Government incentive funds	4,239,400	4,323,546
Others	689,290	143,080
Total	21,863,800	23,674,234

46. Non-operating income

Unit: RMB

Item	Occurred in current term	Occurred in previous term	Amount of non-recurring gain and loss included in the report period
Government grants	150,000	14,826,965	150,000
Default income	75,000		75,000
Compensation income	837,396	146,436	837,396
Amounts unable to pay	282,061	520	282,061
Others	1,251,338	997,941	1,251,338

Total	2,595,795	15,971,862	2,595,795
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Government subsidy included in current profit and loss

Unit: RMB

Item	Occurred in current term	Occurred in previous term	Related to assets or income
Government grants amortisation		14,826,965	Assets related/Income related
Government awards fund	150,000		Income related
Total	150,000	14,826,965	--

47. Non-operating expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term	Amount of non-recurring gain and loss included in the report period
Donation		199,999	
Others	878,551	403,103	878,551
Total	878,551	603,102	878,551

48. Income tax expenses

(1) List of income tax expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Current income tax	77,115,637	74,283,293
Deferred income tax	-15,744,533	6,169,728
Total	61,371,104	80,453,021

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Occurred in current term
Total profit	420,453,221
Current income tax expense accounted by tax and relevant regulations	58,805,863
Costs, expenses and losses not deductible for tax purposes	493,030
The impact of the application of the deductible losses of of the deferred income tax not recognized in the previous periods	-2,047,668
Influence of deductible temporary difference or deductible losses of	23,905,430

unrecognized deferred income tax assets	
Balance the previous year income tax adjustment	-14,815,121
Impact of tax incentives	-4,036,456
Non-taxable income	-933,974
Income tax expenses	61,371,104

49. Other comprehensive income

The details can be found in notes to the financial statements.

50. Items of the cash flow statement

(1) Cash generated by other operating activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Government grant	6,745,150	23,674,234
Interest income	23,033,418	4,186,712
Others	34,088,357	40,349,756
Total	63,866,925	68,210,702

(2) Cash paid relating to other operating activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Freight expenses	88,366,623	68,348,981
Canteen costs	18,797,322	21,140,169
General office expenses	15,300,093	16,993,639
Research and development expenses	32,721,683	26,795,302
Business travel expenses	12,947,259	12,971,903
Entertainment fees	13,644,421	11,650,156
Vehicle use fee	7,827,828	7,589,416
Maintenance fee	15,974,559	9,445,635
Rental expenses	5,358,924	4,103,767
Insurance	9,642,870	6,679,946
Bank fees	6,947,562	2,256,263
Consulting fees	8,397,822	6,015,614

Others	74,446,270	57,271,418
Total	310,373,236	251,262,209

(3) Cash generated by other investing activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Government grants related to assets received	2,680,000	12,800,000
Collection trusted		11,239,200
Income from trial production of construction in progress	1,045,277	
Total	3,725,277	24,039,200

(4) Cash paid relating to other investing activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Payment for deposit and margin	4,673,145	31,475,182
Trial production expenditure in construction	54,018,834	
Total	58,691,979	31,475,182

(5) Cash generated by other financing activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Received interest free loan		1,381,000,000
Received mortgage loan		278,400,000
Collection of income tax of dividends of A-share & B-share	1,276,534	
Collection		2,490,239
Collect industrial production scheduling fund	15,000,000	4,701,291
Total	16,276,534	1,666,591,530

(6) Cash paid relating to other financing activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Payment of income tax of dividends of		1,701,507

A-share & B-share		
Cash paid for Commission fee	1,920,000	1,750,000
Repay financing leases	347,964,797	
Payment for deposit and margin	12,116,876	
Total	362,001,673	3,451,507

51. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Unit: RMB

Supplementary Info.	Amount of this term	Amount of last term
1. Reconciliation from net profit to cash flows from operating activities	--	--
Net profit	359,082,117	400,214,048
Add: Provisions for assets impairment	3,653,609	1,108,695
Depreciation of fixed assets, gas and petrol depreciation, production goods depreciation	497,530,356	480,563,388
Amortisation of intangible assets	23,153,773	19,756,528
Amortisation of long-term prepaid expenses		
Losses on disposal of fixed assets intangible assets and other long-term assets (“- “for gains)	567,830	71,756
Losses on scrapping of fixed assets (“- “for gains)		
Loss from changes in fair value (“- “for gains)		
Finance expenses (“- “for gains)	203,531,507	143,194,586
Investment loss (“- “for gains)		
Decrease in deferred tax assets (“- “for increase)	-19,247,637	11,754,644
Increase of deferred income tax liability (“- “for decrease)	3,503,104	-5,584,916
Decrease of inventory (“- “for increase)	-27,723,994	-152,812,851
Decrease of operational receivable items (“- “for increase)	-288,368,392	-132,167,898
Increase of operational payable items (“- “for decrease)	-86,753,685	253,791,474
Others	95,635,500	
Net cash flow generated by business operation	764,564,088	1,019,889,454
2. Net change of cash and cash equivalents	--	--
Balance of cash at period end	3,358,253,346	932,050,522
Less: Initial balance of cash	2,459,753,165	584,566,990

Net increasing of cash and cash equivalents	898,500,181	347,483,532
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(2) Formation of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	3,358,253,346	2,459,753,165
Incl: Cash on hand	14,984	36,182
Bank deposits that can be readily drawn on demand	3,358,238,362	2,409,716,983
Other cash balances that can be readily drawn on demand		50,000,000
II. Cash equivalents		
III. Balance of cash and cash equivalents at th end of the period	3,358,253,346	2,459,753,165

52. Assets with restricted ownership or use rights

Unit: RMB

Item	Ending book value	Reason for restriction
Monetary assets	13,791,823	Restricted deposit flow
Fixed assets	2,369,789,041	Limited finance lease
Total	2,383,580,864	--

53. Foreign currency monetary items**(1) Foreign currency monetary items**

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing balance convert to RMB
Cash at bank and on hand	--	--	52,567,315
Incl: USD	7,509,132	6.6166	49,684,923
EUR	676	7.6515	5,172
HKD	3,309,892	0.8431	2,790,570
AUD	17,443	4.8633	84,831
JPY	30,367	0.0599	1,819
Accounts receivable	--	--	159,975,673
Incl: USD	22,876,273	6.6166	151,363,148
EUR	989,154	7.6515	7,568,512

HKD	1,238,303	0.8431	1,044,013
Short-term borrowings			63,232,500
Incl: HKD	75,000,000	0.8431	63,232,500
Accounts payable			59,173,980
Incl: HKD	307	0.8431	259
USD	6,386,858	6.6166	42,259,285
EUR	1,964,778	7.6515	15,033,499
JPY	31,401,285	0.0599	1,880,937

VIII. The changes of consolidation scope

1. Other

On March 9, 2017, The Group established a subsidiary company, Chengdu CSG PV Energy Co., Ltd. As of June 30, 2018, the Group has not invested yet. The Company holds 100% of its shares.

On March 2, 2017, The Group established a subsidiary company, Xianning CSG PV Energy Co., Ltd. As of June 30, 2018, the Group has not invested yet. The Company holds 100% of its shares.

On February 22, 2017, The Group established a subsidiary company, Yichang CSG PV Energy Co., Ltd. As of June 30, 2018, the Group has not invested yet. The Company holds 100% of its shares.

IX. Interest in other entities

1. Interest in subsidiary

(1) Composition of the Group

Name of subsidiary	Major business location	Place of registration	Scope of business	Shareholding (%)		Way of acquisition
				Direct	Indirect	
Chengdu CSG	Chengdu, PRC	Chengdu, PRC	Development, production and sales of special glass	75%	25%	Establishment
Sichuan CSG Energy Conservation	Chengdu, PRC	Chengdu, PRC	Development, production and sales of special glass and processing of glass	75%	25%	Split-off
Tianjin Energy Conservation	Tianjin, PRC	Tianjin, PRC	Development, production and sales of special glass	75%	25%	Establishment
Dongguan CSG	Dongguan, PRC	Dongguan, PRC	Intensive processing of glass	75%	25%	Establishment
Dongguan CSG Solar	Dongguan, PRC	Dongguan, PRC	Production and sales of solar glass	75%	25%	Establishment

		PRC				
Dongguan CSG PV-tech	Dongguan, PRC	Dongguan, PRC	Production and sales of hi-tech green battery and components		100%	Establishment
Yichang CSG Silicon	Yichang, PRC	Yichang, PRC	Production and sales of high-purity silicon materials	75%	25%	Establishment
Wujiang CSG	Wujiang, PRC	Wujiang, PRC	Intensive processing of glass	75%	25%	Establishment
Hebei CSG	Yongqing, PRC	Yongqing, PRC	Production and sales of special glass	75%	25%	Establishment
Wujiang CSG	Wujiang, PRC	Wujiang, PRC	Production and sales of special glass	100%		Establishment
China Southern Glass (Hong Kong) Limited	Hong Kong, PRC	Hong Kong, PRC	Investment holding	100%		Establishment
Hebei Shichuang	Yongqing, PRC	Yongqing, PRC	Production and sales of ultra-thin electronic glass	100%		Establishment
Xianning CSG	Xianning, PRC	Xianning, PRC	Production and sales of special glass	75%	25%	Establishment
Xianning CSG Energy-Saving	Xianning, PRC	Xianning, PRC	Intensive processing of glass	75%	25%	Split-off
Qingyuan CSG Energy-Saving	Qingyuan, PRC	Qingyuan, PRC	Production and sales of ultra-thin electronic glass	100%		Establishment
Shenzhen CSG Financial Leasing Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Finance leasing, etc.	75%	25%	Establishment
Jiangyou CSG Mining Development Co., Ltd.	Jiangyou, PRC	Jiangyou, PRC	Production and sales of silica and its by-products	100%		Establishment
Shenzhen CSG PV Energy Co., Ltd.	Shenzhen, PRC	Shenzhen, PRC	Investment management of photovoltaic plant	100%		Establishment
Shenzhen Nanbo Display	Shenzhen, PRC	Shenzhen, PRC	Production and sales of display component products	60.80%		Acquisition
Xianning CSG Photoelectric	Xianning, PRC	Xianning, PRC	Photoelectric glass and high aluminium glass	37.50%	62.50%	Acquisition

(2) The significant non-fully-owned subsidiaries of the Group

Unit: RMB

Subsidiaries	Shareholding of minority shareholders	Total profit or loss attributable to minority shareholders for the year ended 30 June 2018	Dividends distributed to minority interests for the year ended 30 June 2018	Minority interest as at 30 June 2018

Shenzhen Nanbo Display Technology Co., Ltd.	39.20%	4,388,860		307,291,224
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(3) The major financial information of the significant non-fully-owned subsidiaries of the Group

Unit: RMB

Name of Subsidiary	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shenzhen Nanbo Display Technology Co., Ltd.	260,907,161	1,405,303,159	1,666,210,320	621,330,169	238,708,875	860,039,044
	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	230,735,047	1,384,202,485	1,614,937,532	588,962,555	237,351,982	826,314,537

Unit: RMB

Name of Subsidiary	Occurred in current term				Occurred in previous term			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Shenzhen Nanbo Display Technology Co., Ltd.	240,861,525	11,154,553	11,154,553	30,440,528	228,993,498	14,924,574	14,924,574	27,884,582

X. Risk related to financial instrument

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. However, some of the export business is settled in foreign currency. Besides, the Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and HKD. 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 30 June 2018 the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2018			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency-				
Cash at bank and on hand	49,684,923	2,790,570	91,822	52,567,315
Receivables	151,363,148	1,044,013	7,568,512	159,975,673
Total	201,048,071	3,834,583	7,660,334	212,542,988
Financial liabilities denominated in foreign currency				
Short-term borrowings		63,232,500		63,232,500
Payables	42,259,285	259	16,914,436	59,173,980
Total	42,259,285	63,232,759	16,914,436	122,406,480

	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
Total	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

Total	104,040,185	62,692,757	36,939,407	203,672,349
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As at 30 June 2018, 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 RMB13,497,047 lower/higher (31 December 2017: approximately RMB8,281,982 lower/higher) for various financial assets and liabilities denominated in USD.

As at 30 June 2018, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB5,048,845 higher/lower (31 December 2017: approximately RMB3,988,541 higher/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.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings 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 30 June 2018, the Group's long-term interest-bearing debt at variable rates and fixed rates as illustrated below:

	30 June 2018	31 December 2017
Debt at fixed rates	2,274,000,000	1,425,000,000
Debt at variable rates	90,000,000	129,120,000
Total	2,364,000,000	1,554,120,000

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.

(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 at 30 June 2018, the Group had net current liabilities of approximately RMB 1,466 million and committed capital expenditures of approximately RMB 218 million. 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 analysed by their maturity date below at their undiscounted contractual cash as follows:

30 June 2018					
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	4,044,317,738				4,044,317,738
Notes payable	208,201,622				208,201,622
Accounts payable	1,331,128,942				1,331,128,942
Other payables	620,540,633				620,540,633
Interest payable	73,371,196				73,371,196
Dividend payable	4,875,583				4,875,583
Other current liabilities	300,000				300,000
Non-current liabilities due within one year	945,751,458				945,751,458
Long-term payables		641,223,971	224,990,046		866,214,017
Long-term borrowings	124,645,000	124,645,000	2,417,851,740		2,667,141,740
Total	7,353,132,172	765,868,971	2,642,841,786		10,761,842,929

31 December 2017					
	Within 1 year	1 to 2 years	2 to 5 years	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
Non-current liabilities due within one year	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
Total	7,068,756,936	718,326,195	2,142,007,297		9,929,090,428

XI. Disclosure of fair value

1. Fair value of financial assets and financial liabilities not measured 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.

	30 June 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Medium term notes	2,000,000,000	2,005,577,600	1,200,000,000	1,171,444,800
Total	2,000,000,000	2,005,577,600	1,200,000,000	1,171,444,800

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.

XII. Related party and related Transaction

1. The subsidiaries

The general information and other related information of the subsidiaries are set out in attached note.

2. Joint venture of the Company

On June 30, 2018, the Company has no joint venture.

3. Other related parties

Name of other related parties	Relations between other related parties and the Company
Shenzhen Jushenghua Co. Ltd.	Persons acting in concert with the first majority shareholder of the Group
Yichang Hongtai Real Estate Co. Ltd	Other related parties and their affiliates.

4. Receivables from related parties

(1) Receivable item

Name of the item	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other receivables	Yichang Hongtai Real Estate Co. Ltd	171,000,000	3,420,000	171,000,000	3,420,000

5. Related party commitment

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:

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.

XIII. Share Payment

1. Overall situation of share payment

√ Applicable □ Non-applicable

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.

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%

2. Equity-settled share payment

Applicable Non-applicable

Method for Determining the Fair Value of Equity Instruments on the Grant Date	Black-Scholes Model
Determination 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	103,830,195
Total equity confirmed by equity-settled share-based payment in this period	95,635,500

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 the first half of 2018, 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 95,635,500.

3. Share payment in cash

Applicable Non-applicable

XIV. Commitments and contingencies

1. Significant commitments

Important commitments on balance sheet date.

(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:

	30 June 2018	31 December 2017
Buildings, machinery and equipment	217,726,070	150,418,893

(2) Operating lease commitments

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

	30 June 2018	31 December 2017
Within 1 year	2,911,953	3,675,748
1 to 2 years	1,944,336	1,914,948
2 to 3 years	1,300,108	1,472,224
Over 3 years	2,656,252	3,443,641
Total	8,812,649	10,506,561

XV. Other significant events

1. Segment information

(1) Definition foundation and accounting policy of segment

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 other building energy-saving materials, 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.

(2) Financial information of segment

Unit: RMB

	Glass industry	Electronic glass and displays	Solar energy industry	Others	Unallocated	Elimination	Total
Revenue from external customers	3,612,878,032	436,685,900	1,420,997,880		607,786		5,471,169,598
Inter-segment revenue	52,785,600	242,621	16,016,462		30,101,282	-99,145,965	
Interest income	1,136,795	87,494	162,504	311	21,646,314		23,033,418
Interest expenses	93,306,653	10,576,695	50,461,160		49,186,999		203,531,507
Asset impairment losses	3,069,970	-136,967	766,724		-46,118		3,653,609
Depreciation and amortisation expenses	296,233,712	64,199,352	157,440,200	12,005	3,593,844		521,479,113
Total profit/(loss)	515,942,875	62,163,871	-58,388,826	-13,019	-96,162,032	-3,089,648	420,453,221
Income tax (expenses)/income	72,809,465	4,251,301	-13,871,995		-1,817,667		61,371,104
Net profit/(loss)	443,133,410	57,912,570	-44,516,831	-13,019	-94,344,365	-3,089,648	359,082,117
Total assets	8,890,658,347	3,147,841,600	5,031,590,904	653,411	3,454,067,494		20,524,811,756
Total liabilities	3,288,898,941	754,504,302	1,506,784,163	2,504,400	5,855,655,900		11,408,347,706
Increase in non-current assets (i)	106,223,491	146,160,834	19,499,210		3,892,727		275,776,262

(3) Other statement

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	Jan.-Jun. 2018	Jan.-Jun. 2017
Mainland	4,691,225,341	4,453,794,331
Hong Kong	152,221,834	159,110,247
Europe	37,480,049	10,469,923
Asia (other than Mainland and Hong Kong)	538,291,685	284,803,871
Australia	29,949,405	23,668,506
North America	18,072,258	9,235,672
Other regions	3,929,026	3,255,311
Total	5,471,169,598	4,944,337,861
Total non-current assets	30 June 2018	31 December 2017
Mainland	14,273,593,858	14,505,740,522
Hong Kong	12,915,627	12,798,642
Total	14,286,509,485	14,518,539,164

The Group has a large number of customers, but no revenue from a single customer exceed 10% or more of the Group's revenue.

XVI. Notes to Financial Statements of the Parent Company**1. Other accounts receivable****(1) Other accounts receivable disclosed by category:**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	2,814,602,307	100%	3,462,906		2,811,139,401	2,403,843,840	100%	3,509,024		2,400,334,816
Total	2,814,602,307	100%	3,462,906		2,811,139,401	2,403,843,840	100%	3,509,024		2,400,334,816

Other accounts receivable with large amount and were provided bad debt provisions individually at end of period.

Applicable Non-applicable

Other accounts receivable in the portfolio on which bad debt provisions were provided on aging analysis basis

Applicable Non-applicable

Other accounts receivable in the portfolio on which bad debt provisions were provided on percentage basis

Applicable Non-applicable

Unit: RMB

Name of portfolio	Closing balance		
	Other receivable accounts	Bad debt provision	proportion%
portfolio 1	2,145,321	42,906	2%
portfolio 2	2,812,456,986	3,420,000	
Total	2,814,602,307	3,462,906	

Other receivable accounts in the portfolio on which bad debt provisions were provided on other basis

Applicable Non-applicable

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The amount of provision for bad debts during the report period was RMB760. The amount of the reversed or collected part during the report period was RMB 46,878.

(3) Other accounts receivable classified by the nature of accounts

Unit: RMB

Nature of accounts	Ending book balance	Beginning book balance
Accounts receivable of related party	2,812,456,986	2,399,392,648
Others	2,145,321	4,451,192
Total	2,814,602,307	2,403,843,840

(4) Top 5 of the closing balance of the other accounts receivable collated according to the arrears party

Unit: RMB

Name of the company	Nature of accounts	Closing balance	Ages	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Yichang CSG Polysilicon Co., Ltd.	Subsidiary	1,377,570,600	Within 1 year	49%	
Yichang CSG Display Co.,Ltd..	Subsidiary	307,293,852	Within 1 year	11%	
Qingyuan CSG Energy Conservation New Materials Co., Ltd.	Subsidiary	256,179,923	Within 1 year	9%	
Yichang Hongtai Real Estate Co. Ltd	Related party	171,000,000	4 to 5 years	6%	3,420,000
Shenzhen Nanbo Display Technology	Subsidiary	144,702,069	Within 1 year	5%	

Co., Ltd.					
Total	--	2,256,746,444	--	80%	3,420,000

2. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	4,911,117,578	15,000,000	4,896,117,578	4,810,987,652	15,000,000	4,795,987,652
Total	4,911,117,578	15,000,000	4,896,117,578	4,810,987,652	15,000,000	4,795,987,652

(1) Investment in subsidiaries

Unit: RMB

Invested company	Opening balance	Increase in the term	Decrease in the term	Closing balance	Provision for impairment of the current period	Closing balance of impairment provision
Chengdu CSG Glass Co., Ltd.	146,977,347	3,480,978		150,458,325		
Sichuan CSG Energy Conservation	115,546,714	2,989,152		118,535,866		
Tianjin Energy Conservation Glass Co. Ltd	243,191,428	3,366,378		246,557,806		
Dongguan CSG Architectural Glass Co., Ltd.	193,916,049	3,467,028		197,383,077		
Dongguan CSG Solar Glass Co., Ltd.	349,801,154	4,135,152		353,936,306		
Yichang CSG Polysilicon Co., Ltd.	633,464,168	5,906,676		639,370,844		
Wujiang CSG North-east Architectural Glass Co., Ltd.	251,516,189	2,363,622		253,879,811		
Hebei CSG Glass Co., Ltd.	262,265,341	3,115,692		265,381,033		
China Southern Glass (Hong Kong) Limited	85,802,602	704,790		86,507,392		
Wujiang CSG Glass Co., Ltd.	562,527,754	4,063,524		566,591,278		
Hebei Panel Glass Co., Ltd.	243,271,470	2,435,250		245,706,720		
Jiangyou CSG Mining Development Co. Ltd.	100,837,599	1,313,604		102,151,203		
Xianning CSG Glass Co Ltd.	177,295,494	2,960,502		180,255,996		
Xianning CSG Energy Conservation Glass Co Ltd.	161,543,844	3,060,774		164,604,618		
Qingyuan CSG Energy Saving New Materials Co.,Ltd	300,376,848	2,231,838		302,608,686		

Shenzhen CSG Financial Leasing Co., Ltd.	133,500,000			133,500,000	
Shenzhen CSG PV Energy Co., Ltd.	100,052,985	618,360		100,671,345	
Shenzhen Nanbo Display Technology Co., Ltd.	542,691,888	6,393,726		549,085,614	
Xianning CSG Photoelectric Glass Co., Ltd.	38,470,534	39,323,724		77,794,258	
Others(ii)	167,938,244	8,199,156		176,137,400	15,000,000
Total	4,810,987,652	100,129,926		4,911,117,578	15,000,000

(2) Other notes

(i) As at June 30, 2018, long-term equity investment in subsidiaries contained the restricted stocks granted by the Company to the Employees of subsidiaries of the company, and the Company did not charge any fees for the restricted stocks which was deemed as an increase of costs of Long-term equity investment for subsidiaries by RMB 177,962,267 (31 December 2017: RMB114,582,341).

(ii) The subsidiaries which have made provision for impairment were basically closed down in the previous year, and the provision for impairment for the long-term equity investment of them had been made by the Company according to the recoverable amount.

3. Operating income and operating costs

Unit: RMB

Item	Occurred in this term		Occurred in previous term	
	Income	Costs	Income	Costs
Main business				
Other business	30,709,068		27,295,266	
Total	30,709,068		27,295,266	

4. Investment income

Unit: RMB

Item	Occurred in this term	Occurred in previous term
Long-term equity investment accounted by cost method	231,537,606	
Total	231,537,606	

XVII. Supplementary Information

1. Statement of non-recurring gains and losses

Applicable Not applicable

Unit: RMB

Item	Amount	Note
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Gains or losses on disposal of non-current assets	-567,830	
Government grants recognised in profit or loss for current period (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	22,013,800	
Non-operating income and expenses other than aforesaid items	1,567,244	
Less: Effect of income tax	3,453,960	
Effect of minority interests	771,819	
Total	18,787,435	--

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

Applicable Not applicable

2. Return on net assets and earnings per share

Profit in the report period	The weighted average net assets ratio	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to shareholders of the listed company(RMB)	4.09%	0.13	0.12
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	3.87%	0.12	0.12

3. Difference of accounting data under domestic and overseas accounting standards

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

Applicable Not applicable

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

Applicable Not applicable