

# Financial Report of Semi-annual Report 2019

## (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.

June 30, 2019

Unit: RMB

Item	Ending balance	Beginning balance
<b>Current assets</b>		
Cash at bank and on hand	1,895,457,290	2,226,447,720
Notes receivable	656,498,454	719,375,448
Accounts receivable	780,075,797	592,233,312
Advances to suppliers	111,724,191	91,176,675
Other receivables	204,039,125	207,424,295
Inventories	733,850,928	600,139,750
Assets classified as held for sale		45,983,520
Other current assets	136,195,974	445,327,449
<b>Total current assets</b>	<b>4,517,841,759</b>	<b>4,928,108,169</b>
<b>Non-current assets</b>		
Fixed assets	10,301,649,825	9,930,843,775
Construction in progress	1,940,864,955	2,559,179,442
Intangible assets	1,030,390,575	1,035,731,324
Development expenditure	70,573,426	74,549,257
Goodwill	376,720,156	376,720,156
Long-term prepaid expenses	11,821,826	12,746,609
Deferred tax assets	141,735,767	139,529,518
Other non-current assets	55,588,781	56,825,934
<b>Total non-current assets</b>	<b>13,929,345,311</b>	<b>14,186,126,015</b>

<b>TOTAL ASSETS</b>	18,447,187,070	19,114,234,184
<b>Current liabilities</b>		
Short-term borrowings	2,665,570,348	2,922,679,590
Notes payable	280,009,274	105,150,000
Accounts payable	1,056,501,804	1,209,859,263
Advances from customers	228,877,586	206,631,008
Employee benefits payable	185,107,411	266,459,151
Taxes payable	96,414,967	111,967,365
Other payables	356,979,812	552,751,187
Of which: interest payable	73,933,818	73,612,703
Dividend payable	3,221,496	2,846,362
Current portion of non-current liabilities	714,186,697	819,448,742
Other current liabilities	300,000	300,000
<b>Total current liabilities</b>	5,583,947,899	6,195,246,306
<b>Non-current liabilities</b>		
Long-term borrowings	2,292,462,500	2,315,700,000
Long term payable	291,363,152	529,910,796
Deferred income	536,895,424	601,825,780
Deferred tax liabilities	31,806,065	22,118,840
<b>Total non-current liabilities</b>	3,152,527,141	3,469,555,416
<b>Total liabilities</b>	8,736,475,040	9,664,801,722
<b>Shareholders' equity</b>		
Share capital	3,108,196,163	2,863,277,201
Capital surplus	723,817,763	1,095,339,421
Less: Treasury shares	137,277,563	277,180,983
Other comprehensive income	5,360,395	5,080,234
Special reserve	8,235,251	6,068,600
Surplus reserve	924,305,375	924,305,375
Undistributed profits	4,722,400,089	4,486,264,723
<b>Total equity attributable to shareholders of parent company</b>	9,355,037,473	9,103,154,571
<b>Minority shareholders' equity</b>	355,674,557	346,277,891
<b>Total shareholders' equity</b>	9,710,712,030	9,449,432,462
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	18,447,187,070	19,114,234,184

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
<b>Current assets</b>		
Cash at bank and on hand	976,552,224	1,700,726,151
Advances to suppliers	661,266	438,167
Other receivables	3,720,204,400	2,912,516,245
Other current assets	77,586	300,000,000
<b>Total current assets</b>	<b>4,697,495,476</b>	<b>4,913,680,563</b>
<b>Non-current assets</b>		
Long-term receivables	1,200,000,000	1,200,000,000
Long-term equity investments	4,983,474,657	4,964,696,831
Fixed assets	18,464,068	20,926,071
Intangible assets	778,321	879,146
Other non-current assets	2,755,138	732,038
<b>Total non-current assets</b>	<b>6,205,472,184</b>	<b>6,187,234,086</b>
<b>TOTAL ASSETS</b>	<b>10,902,967,660</b>	<b>11,100,914,649</b>
<b>Current liabilities</b>		
Short-term borrowings	2,050,000,000	2,000,000,000
Bills payable	170,000,000	
Accounts payable	236,346	261,024
Employee benefits payable	23,480,388	41,096,020
Taxes payable	1,997,669	1,099,231
Other payables	1,097,014,451	1,668,587,218
Of which: interest payable	12,815,747	41,572,125
Dividend payable	3,221,496	2,846,362
<b>Total current liabilities</b>	<b>3,342,728,854</b>	<b>3,711,043,493</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,000,000,000	2,000,000,000
Deferred income	183,567,304	184,642,520
<b>Total non-current liabilities</b>	<b>2,183,567,304</b>	<b>2,184,642,520</b>
<b>Total liabilities</b>	<b>5,526,296,158</b>	<b>5,895,686,013</b>

Shareholders' equity		
Share capital	3,108,196,163	2,863,277,201
Capital surplus	868,645,077	1,240,166,735
Less: Treasury shares	137,277,563	277,180,983
Surplus reserve	938,850,735	938,850,735
Undistributed profits	598,257,090	440,114,948
<b>Total shareholders' equity</b>	<b>5,376,671,502</b>	<b>5,205,228,636</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>10,902,967,660</b>	<b>11,100,914,649</b>

### 3. Consolidated Income Statement

Unit: RMB

Item	Balance of this period	Balance of last period
<b>I. Total revenue</b>	4,888,237,578	5,471,169,598
Incl. Business income	4,888,237,578	5,471,169,598
<b>II. Total business cost</b>	4,526,773,571	5,070,075,982
Incl: Business cost	3,671,376,825	4,099,496,754
Tax and surcharge	56,687,997	71,930,546
Sales expense	172,503,399	172,217,254
Administrative expenses	292,862,355	374,512,817
R & D expenses	174,276,136	166,041,185
Financial expenses	159,066,859	185,877,426
Of which: interest expense	171,031,605	203,531,507
Interest income	14,923,375	23,033,418
Plus: Other income	107,755,413	21,863,800
Asset impairment loss ("-" "for loss)	-3,765,670	-3,653,609
Income on disposal assets ("-" "for loss)	370,969	-567,830
<b>III. Operational profit ("-" "for loss)</b>	<b>465,824,719</b>	<b>418,735,977</b>
Plus: non-operational income	3,666,315	2,595,795
Less: non-operational expenditure	6,293,227	878,551
<b>IV. Total profit ("-" "for loss)</b>	<b>463,197,807</b>	<b>420,453,221</b>
Less: Income tax expenses	76,458,740	61,371,104
<b>V. Net profit ("-" "for net loss)</b>	<b>386,739,067</b>	<b>359,082,117</b>
<b>(I) Classification by business continuity</b>		

1. Net income from continuing operations (“-” for net loss)	386,739,067	359,082,117
(II) Classification by ownership		
1. Attributable to shareholders of parent company	377,342,401	352,837,153
2. Minority shareholder gains and losses	9,396,666	6,244,964
<b>VI. Other comprehensive income net after tax</b>	280,161	692,018
Other comprehensive income net after tax attributable to shareholders of parent company	280,161	692,018
Other comprehensive income items which will be reclassified subsequently to profit or loss	280,161	692,018
Differences on translation of foreign currency financial statements	280,161	692,018
<b>VII. Total comprehensive income</b>	387,019,228	359,774,135
Total comprehensive income attributable to shareholders of parent company	377,622,562	353,529,171
Total comprehensive income attributable to minority shareholders	9,396,666	6,244,964
<b>VIII. Earnings per share:</b>		
(I) Basic earnings per share	0.12	0.12
(II) Diluted earnings per share	0.12	0.11

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
<b>I. Revenue</b>	38,156,685	30,709,068
Less: Business cost		
Tax and surcharge	484,868	246,465
Sales expense		
Administrative expense	63,631,618	97,258,248
R&D expenditure	355,838	4,923
Financial expenses	64,544,835	29,932,558
Of which: interest expense	74,386,747	48,681,431
Interest income	12,738,082	21,459,907
Plus: Other income	1,466,247	991,880

Asset impairment loss (“-“for loss)	390,105,325	231,537,606
Asset impairment loss (“-“for loss)	94,314	46,118
Income on disposal assets (“-“for loss)		2,440
<b>II. Operating profit</b>	300,805,412	135,844,918
Add: Non-operating revenue	2,403,225	123,450
Less: Non-operating expenses	3,859,460	277
<b>III. Total profit (“-“for loss)</b>	299,349,177	135,968,091
Less: Income tax (expenses)/revenue		
<b>IV. Net profit (“-“for loss)</b>	299,349,177	135,968,091
(I) Net profit for continuing operations (“-“for loss)	299,349,177	135,968,091
<b>V. Total comprehensive income</b>	299,349,177	135,968,091
<b>VI. Earnings per share</b>		
(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
<b>I. Cash flows from operating activities</b>		
Cash received from sales of goods or rendering of services	5,267,136,350	5,795,543,089
Refund of taxes and surcharges	7,189,735	14,619,913
Cash received relating to other operating activities	69,328,688	63,866,925
<b>Sub-total of cash inflows</b>	5,343,654,773	5,874,029,927
Cash paid for goods and services	3,243,706,052	3,670,547,749
Cash paid to and on behalf of employees	706,947,717	723,605,247
Payments of taxes and surcharges	310,470,632	404,939,607
Cash paid relating to other operating activities	314,547,907	310,373,236
<b>Sub-total of cash outflows</b>	4,575,672,308	5,109,465,839
<b>Net cash flows from/(used in) operating activities</b>	767,982,465	764,564,088
<b>II. Cash flows from investing activities</b>		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	355,765	3,466,136
Cash received relating to other investing activities	36,323,006	3,725,277

<b>Sub-total of cash inflows</b>	36,678,771	7,191,413
Cash paid to acquire fixed assets, intangible assets and other long-term assets	283,862,176	268,526,891
Cash paid relating to other investing activities	44,089,887	58,691,979
<b>Sub-total of cash outflows</b>	327,952,063	327,218,870
<b>Net cash flows (used in)/from investing activities</b>	-291,273,292	-320,027,457
<b>III. Cash flows from financing activities</b>		
Cash received from borrowings	1,498,543,308	2,870,654,472
Cash received relating to other financing activities	500,154,376	16,276,534
<b>Sub-total of cash inflows</b>	1,998,697,684	2,886,931,006
Cash repayments of borrowings	1,833,149,550	1,777,250,000
Cash payments for interest expenses and distribution of dividends or profits	314,316,388	293,602,183
Cash payments relating to other financing activities	808,767,638	362,001,673
<b>Sub-total of cash outflows</b>	2,956,233,576	2,432,853,856
<b>Net cash flows (used in)/from financing activities</b>	-957,535,892	454,077,150
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-59,328	-113,600
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	-480,886,047	898,500,181
Add: Cash and cash equivalents at beginning of current period	2,225,126,913	2,459,753,165
<b>6. Cash and cash equivalents at end of current period</b>	1,744,240,866	3,358,253,346

## 6. Cash Flow Statement of the Parent Co.

Unit: RMB

Item	Balance of this period	Balance of last period
<b>I. Cash flows from operating activities</b>		
Cash received relating to other operating activities	22,806,175	22,667,417
<b>Sub-total of cash inflows</b>	22,806,175	22,667,417
Cash paid to and on behalf of employees	69,731,706	63,635,591
Payments of taxes and surcharges	2,061,399	1,057,736
Cash paid relating to other operating activities	14,959,674	15,743,250
<b>Sub-total of cash outflows</b>	86,752,779	80,436,577

<b>Net cash flows from/(used in) operating activities</b>	-63,946,604	-57,769,160
<b>II. Cash flows from investing activities</b>		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,440
<b>Sub-total of cash inflows</b>		2,440
Cash paid to acquire fixed assets, intangible assets and other long-term assets	2,887,626	4,544,893
Cash paid for investing activities	10,000,000	36,750,000
Other cash paid relating to investing activities		
<b>Sub-total of cash outflows</b>	12,887,626	41,294,893
<b>Net cash flows (used in)/from investing activities</b>	-12,887,626	-41,292,453
<b>III. Cash flows from financing activities</b>		
Cash received from borrowings	1,300,000,000	2,190,000,000
Cash received relating to other financing activities		125,399,471
<b>Sub-total of cash inflows</b>	1,300,000,000	2,315,399,471
Cash repayments of borrowings	1,250,000,000	1,140,000,000
Cash payments for interest expenses and distribution of dividends or profits	242,330,883	164,279,306
Other cash paid relating to financing activities	604,806,391	
<b>Sub-total of cash outflows</b>	2,097,137,274	1,304,279,306
<b>Net cash flows (used in)/from financing activities</b>	-797,137,274	1,011,120,165
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	1,963	-1,253,410
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	-873,969,541	910,805,142
Add: Cash and cash equivalents at beginning of current period	1,699,514,334	1,680,672,390
<b>6. Cash and cash equivalents at end of current period</b>	825,544,793	2,591,477,532



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

Amount of the current period

Unit: RMB

Item	The Current Period									
	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	Subtotal		
I. Balance at the end of the previous year	2,863,277,201	1,095,339,421	277,180,983	5,080,234	6,068,600	924,305,375	4,486,264,723	9,103,154,571	346,277,891	9,449,432,462
Plus: change of accounting policy										
Correction of errors in previous periods										
II. Balance at the beginning of current year	2,863,277,201	1,095,339,421	277,180,983	5,080,234	6,068,600	924,305,375	4,486,264,723	9,103,154,571	346,277,891	9,449,432,462
III. Amount of change in current term("–" "for decrease)	244,918,962	-371,521,658	-139,903,420	280,161	2,166,651		236,135,366	251,882,902	9,396,666	261,279,568
(I) Total amount of the comprehensive income				280,161			377,342,401	377,622,562	9,396,666	387,019,228
(II) Capital paid in and reduced by owners	-37,644,324	-88,958,372	-139,903,420					13,300,724		13,300,724
1. Common shares invested by the	-37,644,324	-88,958,372	-139,903,420					13,300,724		13,300,724

shareholders										
(III) Profit distribution							-141,207,035	-141,207,035		-141,207,035
1. Appropriations to surplus reserves										
2. Appropriations to owners (or shareholders)							-141,207,035	-141,207,035		-141,207,035
(IV) Internal carry-forward of owners' equity	282,563,286	-282,563,286								
1.Capital reserve transferred to capital (or share capital)	282,563,286	-282,563,286								
2.Surplus reserve transferred to capital (or share capital)										
(V) Specific reserve					2,166,651			2,166,651		2,166,651
1. Withdrawn for the period					3,646,882			3,646,882		3,646,882
2. Used in the period					1,480,231			1,480,231		1,480,231
IV. Balance at the end of this term	3,108,196,163	723,817,763	137,277,563	5,360,395	8,235,251	924,305,375	4,722,400,089	9,355,037,473	355,674,557	9,710,712,030

Amount of the previous period

Unit: RMB

Item	The Previous Period									
	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	Subtotal		
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	8,458,587,873	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	8,458,587,873	321,035,238	8,779,623,111
III. Amount of change in current term("–" for decrease)	379,129,654	-211,042,344	-140,168,896	3,131,291	2,843,662	3,713,043	326,622,496	644,566,698	25,242,653	669,809,351
(I) Total amount of the comprehensive income				3,131,291			452,965,935	456,097,226	19,242,653	475,339,879
(II) Capital paid in and reduced by owners	6,507,523	161,579,787	-140,168,896					308,256,206	6,000,000	314,256,206
1. Common shares invested by the owner									6,000,000	6,000,000

2. Amounts of share-based payments recognized in owners' equity	6,507,523	161,579,787	-140,168,896					308,256,206		308,256,206
(III) Profit distribution						3,713,043	-126,343,439	-122,630,396		-122,630,396
1. Appropriations to surplus reserves						3,713,043	-3,713,043			
2. Distribution to the owner (or shareholder)s							-122,630,396	-122,630,396		-122,630,396
(IV) Internal carry-forward of owners' equity	372,622,131	-372,622,131								
1.Capital reserve transferred to capital (or share capital)	372,622,131	-372,622,131								
(V) Specific reserve					2,843,662			2,843,662		2,843,662
1. Withdrawn for the period					8,319,885			8,319,885		8,319,885
2. Used in the period					5,476,223			5,476,223		5,476,223
IV. Balance at the end of this term	2,863,277,201	1,095,339,421	277,180,983	5,080,234	6,068,600	924,305,375	4,486,264,723	9,103,154,571	346,277,891	9,449,432,462

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

Amount of the current period

Unit: RMB

Item	The Current Period							
	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	2,863,277,201	1,240,166,735	277,180,983			938,850,735	440,114,948	5,205,228,636
Plus: change of accounting policy								
Correction of errors in previous periods								
II. Balance at the beginning of current year	2,863,277,201	1,240,166,735	277,180,983			938,850,735	440,114,948	5,205,228,636
III. Amount of change in current term("–" "for decrease)	244,918,962	-371,521,658	-139,903,420				158,142,142	171,442,866
(I) Total amount of the comprehensive income							299,349,177	299,349,177
(II) Capital paid in and reduced by owners	-37,644,324	-88,958,372	-139,903,420					13,300,724
1. Amounts of share-based payments recognized in owners' equity	-37,644,324	-88,958,372	-139,903,420					13,300,724
(III) Profit distribution							-141,207,035	-141,207,035
1. Appropriations to surplus reserves								
2. Appropriations to owners (or shareholders)							-141,207,035	-141,207,035
(IV) Internal carry-forward of owners' equity	282,563,286	-282,563,286						
1.Capital reserve transferred to capital (or share capital)	282,563,286	-282,563,286						
IV. Balance at the end of this term	3,108,196,163	868,645,077	137,277,563			938,850,735	598,257,090	5,376,671,502

Amount of the previous period

Unit: RMB

Item	The Previous Period							
	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)	379,129,654	-211,042,344	-140,168,896			3,713,043	-89,213,006	222,756,243
(I) Total amount of the comprehensive income							37,130,433	37,130,433
(II) Capital paid in and reduced by owners	6,507,523	161,579,787	-140,168,896					308,256,206
2. Others	6,507,523	161,579,787	-140,168,896					308,256,206
(III) Profit distribution						3,713,043	-126,343,439	-122,630,396
1. Appropriations to surplus reserves						3,713,043	-3,713,043	
2. Appropriations to owners (or shareholders)							-122,630,396	-122,630,396
(IV) Internal carry-forward of owners' equity	372,622,131	-372,622,131						
1.Capital reserve transferred to capital (or share capital)	372,622,131	-372,622,131						
IV. Balance at the end of this term	2,863,277,201	1,240,166,735	277,180,983			938,850,735	440,114,948	5,205,228,636

### 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, 2019, the registered capital was RMB 3,108,196,163, 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, specialized glass, engineering glass, energy saving glass, silicon related materials, polysilicon and solar components and electronic-grade display device glass and the construction and operation of photovoltaic plant etc.

The financial statements were authorized for issue by the Board of Directors on August 21, 2019.

Details on the major subsidiaries included in the consolidated scope in current year were stated in the Note.

### 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, 2019, the Group current liabilities exceed current assets about RMB 1,066 million and committed capital expenditure of about RMB 595 million. The directors of the Company have made an assessment that the Group has been in continuous business for many years and expects to continue to generate sufficient cash flow from operating activities in the next 12 months. From January to June 2019, the net cash inflow from operation activities is approximately RMB 768 million; and 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, 2019, the Group had unutilised banking facilities of approximately RMB 6.2 billion, among which long-term banking facilities were about RMB 290 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 of the Company believe that the above credit line and shareholder support are sufficient to meet the funding needs of the Group for repayment of debts and capital commitments. Therefore, the financial statements for the report period will continue to be prepared on a going concern basis.

## **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 the 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 2019 truly and completely present the financial position as of June 30, 2019 and the operating results, cash flows and other information for the first half year of 2019 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 instrument is a contract that forms a financial asset of one party and forms a financial liability or equity instrument of the other party.

### (a) Classification of financial assets

According to the business model of the financial assets under management and the characteristics of the contractual cash flow of the financial assets, the Company divides the financial assets into the following three categories:

- 1) Financial assets measured at amortized cost.
- 2) Financial assets measured at fair value through other comprehensive income.
- 3) Financial assets at fair value through profit or loss.

Financial liabilities are classified into the following two categories:

- 1) Financial liabilities at fair value through profit or loss.
- 2) Financial liabilities measured at amortized cost.

### (b) Basis for confirmation of financial instruments

### 1) Financial assets measured at amortized cost

The financial assets of the Company that are subject to the following conditions are classified as financial assets measured at amortized cost:

- ①The business model for managing the financial assets is aimed at collecting contractual cash flows.
- ②The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

### 2) Financial assets measured at fair value through changes in other comprehensive income

The financial assets of the Company that meet the following conditions are classified into financial assets measured at fair value and whose changes are included in other comprehensive income:

- ①The business model for managing the financial assets is aimed at both the collection of contractual cash flows and the sale of the financial assets.
- ②The contractual terms of the financial assets stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest based on the outstanding principal amount.

At initial recognition, the Company may designate non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income, presented as other equity instrument investment projects, and recognised dividend income when the conditions are met ( Once the designation is made, it cannot be revoked).

### 3) Financial assets measured at fair value through profit or loss

The Company classifies financial assets other than financial assets measured at amortized cost and financial assets measured at fair value through changes in other comprehensive income as financial assets at fair value through profit or loss.

If the contingent consideration of the Company in a business combination not under the same control constitutes financial assets, the financial assets are classified as financial assets measured at fair value through profit or loss.

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company can designate the financial assets as financial assets measured at fair value through profit or loss (the designation cannot be revoked once it is made).

### 4) Financial liabilities measured at fair value through profit or loss

This category includes transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities that are designated at fair value through profit or loss.

If the contingent consideration of the Company in a business combination not under the same control constitutes financial liabilities, the financial liabilities are accounted for at fair value through profit or loss.

In the initial recognition, in order to provide more relevant accounting information, the Company classifies financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss (the designation cannot be revoked once it is made):

- ①can eliminate or significantly reduce accounting mismatches.
- ②According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value, and report to key management personnel on the basis of this. .

### 5) Financial liabilities measured at amortized cost

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost:

- ①Financial liabilities measured at fair value through profit or loss.
- ②Financial assets transfer does not meet the conditions for derecognition or financial liabilities arising from the transfer of transferred financial assets.
- ③Financial guarantee contracts that do not fall into ① and ② categories, and loan commitments that are not subject to the market

interest rate for loans that are not in ① category of this article.

(c) Measurement methods for financial instruments

1) Financial assets measured at amortized cost

The initial measurement is carried out at fair value, and the related transaction expense is included in the initial recognition amount; the interest calculated using the effective interest method during the holding period is included in the current profit and loss. When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in the current profit and loss.

2) Financial assets measured at fair value through changes in other comprehensive income

The initial measurement is carried out at fair value, and the related transaction costs are included in the current profit and loss. Subsequent measurement measured at fair value. The discount or premium is amortized using the effective interest method and recognised as interest income or expense. Except for impairment loss or gains and exchange gains and losses recognized as current gains and losses, changes in fair value of such financial assets are recognised in other comprehensive income until the financial assets are derecognised, the accumulated gain or loss is transferred to profit or loss.

3) Financial assets measured at fair value through profit or loss

The initial measurement is carried out at fair value, and the related transaction costs are included in the current profit and loss. The financial assets are subsequently measured at fair value, and changes in fair value are recognised in profit or loss. When the confirmation is terminated, the difference between the fair value and the initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted at the same time.

4) Financial liabilities measured at fair value through profit or loss

The initial measurement is carried out at fair value, and the related transaction costs are included in the current profit and loss. The financial liabilities are subsequently measured at fair value, and changes in fair value are recognised in profit or loss. When the confirmation is terminated, the difference between the fair value and the initial entry amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted at the same time.

5) Financial liabilities measured at amortized cost

The initial measurement is based on fair value, and the related transaction costs are included in the initial recognition amount. Interest calculated by the effective interest method during the period of holding is included in the current profit and loss. When the confirmation is terminated, the difference between the consideration paid and the book value of the financial liability is recognised in profit or loss.

(d) Confirmation basis and measurement method for transfer of financial assets

In the event of a financial asset transfer, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them separately as follows:

1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.

2) If almost all risks and rewards in the ownership of financial assets are retained, the financial assets shall continue to be recognized.

3) If there is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (that is, other cases in addition to (1) and (2) of this article), then according to whether they retain control over financial assets, they are dealt with as follows:

① If the control over the financial assets is not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.

② If the control over the financial assets is retained, the relevant financial assets shall continue to be recognized according to the

extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized accordingly.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The Company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:

- ① The book value of the transferred financial assets on the date of termination confirmation.
- ② The sum of the consideration received due to the transfer and the accumulated gains from changes in fair value that were originally included in other comprehensive income.

2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the overall book value of the financial assets before the transfer will be apportioned between the derecognition portion and the continuation confirmation portion according to their respective fair values on the transfer date. And the difference between the following two amounts is included in the current profit and loss:

- ① The book value of the derecognition part on the date of termination confirmation.
- ② The sum of the amount of the derecognised portion of the derecognised portion and the amount of the derecognised portion of the cumulative amount of the fair value that is directly recognised in other comprehensive income originally (financial assets involving transfers are classified as financial assets measured at fair value through other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

(e) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price at which a market participant can receive by selling an asset or paid for transferring a liability in an orderly transaction on the measurement day.

1) Financial assets or financial liabilities in an active market, the fair value of which is determined by quoted prices in active markets; quotes in active markets include the quotes of related assets or liabilities which can be easily and regularly obtained from exchanges, traders, brokers, industry groups, pricing agencies or regulators, and can represent market transactions that actually and frequently occur on the basis of fair trade.

2) Financial assets or financial liabilities that do not exist in an active market adopt valuation techniques to determine their fair value. At the time of valuation, the Company adopts valuation techniques with adequate availability of data and other information support, as well as applicable in the current circumstances, select an input value that is consistent with the characteristics of the asset or liability considered by the market participant in the transaction of the relevant asset or liability, and use the relevant observable input values as much as possible. When the relevant observable input value cannot be obtained or is not feasible, the unobservable input value is used.

(f) Provision for impairment of financial assets

1) The Company confirms loss provision based on expected credit losses for financial assets measured at amortized cost, debt instrument investments at fair value through other comprehensive income and financial guarantee contracts. The expected credit loss refers to the weighted average of credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original actual interest rate, and the present value of all cash shortages. Among them, financial assets purchased or originated by the Company that have suffered credit impairment should be discounted according to the actual interest rate of the financial assets adjusted by credit.

On each balance sheet day, the Company measures the expected credit losses of financial instruments at different stages. If the credit risk has not increased significantly since the initial recognition, the financial instrument is at the first stage, and the Company measures the provision for the loss according to the expected credit loss within the next 12 months; if the credit risk has increased significantly since the initial confirmation but impairment of the credit has not yet occurred, the financial instrument is at the second stage, the Company measures the provision for the loss according to the expected credit loss of the financial instrument for the entire duration; if the credit impairment has taken place since the initial recognition, the financial instrument is at the third stage and the Company provides reserve for the expected credit loss of the financial instrument for the entire duration. For financial instruments with lower credit risk on the balance sheet day, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the provision for the loss according to the expected credit losses in the next 12 months.

For the financial instrument at the first stage or the second stage or with lower credit risk, the Company calculates the interest income based on the book balance without deduction of the provision for the impairment and the actual interest rate. For the financial instrument at the third stage, the Company calculates the interest income according to the book balance less the amortized cost after provision for the impairment and the actual interest rate.

## 2. Confirmation methods for credit losses of various types of financial assets:

### (1) Notes receivable and accounts receivable:

Regardless of whether there exists a significant financing component, the Company considers all reasonable and evidence-based information, including forward-looking information, to estimate the expected credit losses of the aforesaid receivables in a single or combined manner and to adopt the simplified model of the expected credit losses, always measures provision for loss based on expected credit losses for the entire duration. Provision method is as follows:

(a) At the end of the reporting period, the Company conducts separate impairment testing on the receivables if there is objective evidence proving that such receivables have experienced impairment. Loss for impairment is recognized and provision for bad debt is made based on the difference of the present value of the estimated future cash flows lower than their carrying amount.

(b) When the information of the expected credit loss of a single financing asset cannot be assessed with reasonable cost, the Company divides the receivables portfolio according to the credit risk characteristics and calculates the expected credit losses on a portfolio basis. For receivables classified as risk portfolios, the Company calculates the expected credit losses with reference to the historical experience of credit loss with consideration of the present situation and the prediction of the future economic condition by using the impairment provision model. The Company counts the provision for loss made or reversed to the current profit and loss

### (2) Other receivables:

(a) For other receivables whose credit risk has not increased significantly since the initial recognition, the Company measures the provision for the loss according to the expected credit loss within the next 12 months.

(b) For other receivables whose credit risk has increased significantly since the initial recognition, the Company measures the loss preparation according to the amount of expected credit loss corresponding to the entire duration of the financial instrument;

(c) Purchase or source of other receivables in which credit has been impaired, the Company measures loss provision based on the amount of expected credit loss for the entire duration of the life.

For other receivables, the Company is unable to obtain sufficient evidence of a significant increase in credit risk at a reasonable cost at the individual instrument level, and it is feasible to assess whether the credit risk is significantly increased on a portfolio basis, so the Company classifies other receivables according to the type of financial instruments, credit risk rating, initial confirmation date, and remaining contract period as common risk characteristics, and considers whether the credit risk is significantly increased on a portfolio basis,

(i) Other receivables formed by non-operating low-risk businesses are assessed for credit losses individually based on the nature of the business. After the credit loss assessment is performed individually, if the credit loss is not recognized, it will perform a credit loss assessment again including in a portfolio with similar credit risk characteristics.

(ii) The expected credit losses are measured on a portfolio basis. The accrual method determined by the combination of credit risk characteristics is consistent with the accounts receivable.

(iii) For other receivables with mortgage collateral guarantee, the original value is deducted from the recoverable value of the collateral as the expected credit loss of the risk exposure.

## (g) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, if the following conditions are met, the net amount offset by each other is listed in the balance sheet:

- 1) The Company has a statutory right to offset the confirmed amount, and such legal right is currently enforceable;
- 2) The Company plans to settle on a net basis or realize the financial assets and pay off the financial liabilities at the same time.

**10. Receivables**

Receivables include notes receivable, accounts receivable and other receivables. The Group's accounts receivable from the sale of goods or the provision of labor services shall be deemed as the initial recognition amount based on the fair value of the contract or agreement receivable from the purchaser or the labor acceptor.

For the impairment of notes receivable and accounts receivable, refer to the above-mentioned financial instruments for the recognition of impairment of financial assets, and estimate the expected credit losses individually or on a portfolio basis. For the impairment of other receivables, refer to the financial instrument's provisions on impairment.

## (a) Accounts receivable with significant individual amounts and separate provision for bad debts

For accounts receivable with significant individual amount, the impairment test is carried out separately. When there is objective evidence that the Group will not be able to recover the amount based on the original terms of the accounts receivable, the provision for bad debts is made based on the difference between the present value of the estimated future cash flows of the accounts receivable and its book value.

The criterion for determining the individual amount is: the individual amount exceeds RMB 20 million.

## (b) Accounts receivable that are not significant but have individual provision for bad debts

When there is objective evidence that the Group will not be able to recover the amount in accordance with the original terms of the accounts receivable, provision for bad debts is made based on the difference between the present value of the estimated future cash flows of the accounts receivable and its book value.

## (c) Accounts receivable prepared for bad debts on a portfolio basis

Accounts receivable that are not separately withdrawn for impairment are classified into several portfolios based on credit risk characteristics. Determine the provision for bad debts that should be accrued based on the current situation. Based on the actual loss rate of the accounts receivable portfolio with similar credit risk characteristics in previous years, the provision for bad debts accrued is determined according to the current situation.

The basis for determining the portfolio is as follows:

Portfolio 1	All receivables from non-related parties that are not individually withdrawn for impairment
Portfolio 2	Associated party portfolio

In the portfolio, the percentage of provision for bad debts using the percentage of balance method is as follows:

	Percentage of provision for accounts receivable (%)
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Portfolio 1	2%
Portfolio 2	2%

If the Group transfers the accounts receivable to the financial institution without recourse, the difference between book value of transferred accounts receivable by transaction amount and the related taxes and fees is charged to the current profit and loss.

## 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

(a) Recognition and initial measurement

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

Fixed assets are recognised when it is probable that the related economic benefits will 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.

(b) Depreciation methods

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

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

Categories	Depreciation methods	Period of depreciation	Estimated net residual value	Annual depreciation rate
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%

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

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

(d) Disposal

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

## 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;
- The 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 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 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 is 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

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

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

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

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



The ordinary activity government grants should be counted into operating profits; the government grants which not belong to 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 recognized based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognized 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 recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized 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 realized or the liability is settled.

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

Deferred tax liabilities are recognized 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 utilized, the corresponding deferred tax assets are recognized.

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;
- 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. Other important accounting policies and accounting estimates

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 is subject to sufficient taxable income that is 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.

**28. Significant accounting policies and changes in accounting estimates****(1) Important accounting policy changes**

☒ Applicable   ☐ Not applicable

Details can be found on the Company's announcement of accounting policy changes.

**(2) Changes in important accounting estimates**

☐ Applicable   ☒ Not applicable

**(3) Adjustment of items related to the first implementation of the financial statements at the beginning of the year for the first time implementation of the new financial instruments guidelines, new income standards, new lease standards**

☐ Applicable   ☒ Not applicable

**(4) Explanation of comparative data before retrospective adjustment for the first time implementation of the new financial instrument guidelines, new lease criteria**

☐ Applicable   ☒ Not applicable

**29. Others****(1) 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 are 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 recognized. The fixed assets are no longer be depreciated in future.

**(2) Segment information**

The Group identifies operating segments based on the internal organization structure, management requirements and internal

reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

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

## 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%-16%
City maintenance and construction tax	VAT paid	1%-7%
Educational surcharge	VAT paid	3%-5%
Enterprise income tax	Taxable income	0%-25%

### 2. Tax incentives

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

Tianjin CSG Energy Conservation Glass Co., Ltd. ("Tianjin Energy Conservation") passed review on a high and new tech enterprise in 2018 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 2018.

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. For the review of its high and new tech enterprise status was under processing, the income tax rate of 15% was provisionally applied during the report period.

Wujiang CSG East China Architectural Glass Co., Ltd. ("Wujiang CSG Engineering") 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 polysilicon Co., Ltd. ("Yichang CSG polysilicon") 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. For the review of its high and new tech enterprise status was under processing, the income tax rate of 15% was provisionally applied during the report period.

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. For the review of its high and new tech enterprise status was under processing, the income tax rate of 15% was provisionally applied during the report period.

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 2018, 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 2018.

Yichang CSG Photoelectric Glass Co., Ltd. (“Yichang CSG Photoelectric”) was recognised as a high and new tech enterprise in 2018, 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 2018.

Yichang CSG Display Co., Ltd (“Yichang CSG Display”) was recognised as a high and new tech enterprise in 2018, 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 2018.

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. For the review of its high and new tech enterprise status was under processing, the income tax rate of 15% was provisionally applied during the report period.

Hebei CSG Glass Co Ltd. (“Hebei CSG”) was recognised as a high and new tech enterprise in 2018, 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 2018.

Shenzhen CSG Applied Technology Co Ltd. (“Shenzhen Technology”) was recognised as a high and new tech enterprise in 2018, 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 2018.

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”) Xinning CSG PV Energy Co., Ltd. (“Xinning CSG PV Energy”) and Zhanjiang CSG New Energy Co., Ltd. (“Zhanjiang CSG PV Energy”), are public infrastructure project specially supported by the state in accordance with the Article 87 in *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, and can enjoy the tax preferential policy of “three-year exemptions and three-year halves”, that is, starting from the tax year when the first revenue from production and operation occurs, the enterprise income tax is exempted from the first to the third year, while half of the enterprise income tax is collected for the following three years.

Qingyuan CSG New Energy, Suzhou CSG PV Energy and Wujiang CSG New Energy started to carry out operations in 2015; The applicable enterprise income tax rate for them is 12.5% for the current year. Yichang CSG New Energy started operation in 2016, Zhangzhou CSG, Heyuan CSG and Shaoxing CSG started operation in 2017. Zhanjiang CSG PV Energy, Xinning CSG PV Energy started operation in 2018. The applicable enterprise income tax rate for them is 0% for the current year.

### 3. Others

Some subsidiaries of the Group have used the “exempt, credit, refund” method on goods exported and the refund rate is 5%-16%.

## 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	5,669	9,731
Cash at bank	1,744,235,197	2,225,117,182
Other cash balances	151,216,424	1,320,807
Total	1,895,457,290	2,226,447,720
Including: Total overseas deposits	40,034,095	37,790,337

Other cash balances include margin deposits for the issuance of bills and letter of credit from the bank, amounting to RMB 151,216,424 (Dec. 31, 2018: RMB 1,320,807), 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	372,915,741	304,180,556
Trade acceptance notes	283,582,713	415,194,892
Total	656,498,454	719,375,448

**(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	2,187,233,792	
Trade acceptance notes		102,493,282
Total	2,187,233,792	102,493,282

**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	
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	790,538,605	98%	15,808,111	2%	774,730,494	598,852,703	98%	11,976,169	2%	586,876,534
With amounts that are not individually significant but	13,017,818	2%	7,672,515	59%	5,345,303	13,046,506	2%	7,689,728	59%	5,356,778

that the related provision for bad debts is provided on the individual basis										
Total	803,556,423	100%	23,480,626	3%	780,075,797	611,899,209	100%	19,665,897	3%	592,233,312

Provision for bad debts on the individual basis:

Unit: RMB

Name	Closing balance			
	Carrying amount	Provision for bad debts	Proportion	Reason
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	13,017,818	7,672,515	59%	
Total	13,017,818	7,672,515	--	--

Provision for bad debts by portfolio

Unit: RMB

Name	Closing balance		
	Carrying amount	Provision for bad debts	Proportion
Portfolio 1	790,538,605	15,808,111	2%
Total	790,538,605	15,808,111	--

Disclosure by the ageing of accounts receivable

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	775,310,227
1 to 2 years	16,330,013
2 to 3 years	4,054,655
Over 3 years	7,861,528
Total	803,556,423

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

Unit: RMB

Category	Opening balance	Increased this year		Decreased this year	Closing balance
		Provision	Others	Collect or reversal	



Accounts receivable bad debt provision	19,665,897	7,865,165		4,050,436	23,480,626
Total	19,665,897	7,865,165		4,050,436	23,480,626

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

Unit: RMB

	Balance	Provision for bad debts	Percentage in total accounts receivable balance
Total balances for the five largest accounts receivable	151,652,292	3,033,046	19%

**4. Advances to suppliers****(1) Listed by aging analysis**

Unit: RMB

Ageing	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
within 1 year	94,635,437	85%	76,372,805	84%
1 to 2 years	3,198,006	3%	2,034,196	2%
2 to 3 years	1,121,074	1%		
over 3 years	12,769,674	11%	12,769,674	14%
Total	111,724,191	--	91,176,675	--

As at June 30, 2019, advances to suppliers over 1 year with a carrying amount of RMB 17,088,754 were mainly advances paid for natural gas and materials, which were not fully settled since the materials had not been received.

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

	Balance	Percentage in total advances to suppliers balance
Total balances for the five largest advances to suppliers	49,112,463	44%

**5. Other receivables**

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	204,039,125	207,424,295
Total	204,039,125	207,424,295

**(1) Other receivables**

## 1) Other receivables classified by the nature of accounts

Unit: RMB

Nature	Closing book balance	Opening book balance
Receivables from special fund for talent	171,000,000	171,000,000
Refundable deposits	13,240,006	21,351,937
Payments made on behalf of other parties	20,017,090	15,036,194
Petty cash	1,160,280	489,912
Export tax rebates receivable		137,744
Others	3,104,906	3,962,723
<b>Total</b>	<b>208,522,282</b>	<b>211,978,510</b>

## 2) Withdrawal of bad debt provision

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on 1 January 2019	4,231,310		322,905	4,554,215
Balance on 1 January 2019 in current period	—	—	—	—
--Transferred to the Phase II				
--Transferred to the Phase III				
-- Transferred back to the Phase II				
-- Transferred back to the Phase I				
Withdrawal	215,709			215,709
Recovery	264,768			264,768
Write-off				
Verification	21,999			21,999
Other changes				
Balance on 30 June 2019	4,160,252		322,905	4,483,157

## 3) Significant changes in book balance of loss reserve during the current period

□ Applicable    √ Not applicable

Disclosure by the ageing of other receivables

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	14,843,865
1 to 2 years	8,101,678
2 to 3 years	465,488
3 to 4 years	548,379
4 to 5 years	11,110,006
Over 5 years	173,452,866
Total	208,522,282

4) Provision for bad debts withdrawn, recovered or reversed during the reporting period

Provision for bad debts:

Unit: RMB

Category	Opening balance	Change amount of the period			Closing balance
		Withdrawal	Collect or Recovery	Verification	
Other receivables bad debt provision	4,554,215	215,709	264,768	21,999	4,483,157
Total	4,554,215	215,709	264,768	21,999	4,483,157

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

Unit: RMB

Name of Company	Nature of business	Closing balance	Ageing	Proportion of the total year end balance of the accounts receivable	Closing balance of bad debt provision
Company A	dependent third party	171,000,000	Over 5 years	82%	3,420,000
Governmental department B	dependent third party	11,067,754	4 to 5 Years	5%	221,355
Company C	dependent third party	6,700,000	1 to 2 years	3%	134,000
Company D	dependent third party	2,227,000	Within 1 year	1%	44,540
Company E	dependent third party	1,800,000	Within 1 year	1%	36,000
Total	--	192,794,754	--	92%	3,855,895

## 6. Inventories

### (1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Reserve for depreciation of inventory or impairment of contract performance cost	Book value	Carrying amount	Reserve for depreciation of inventory or impairment of contract performance cost	Book value
Raw materials	201,515,304	1,438,235	200,077,069	224,107,756	1,438,767	222,668,989
Products in process	26,315,600		26,315,600	25,088,903		25,088,903
Products in stock	463,731,420	97,443	463,633,977	309,132,138	566,246	308,565,892
Material in circulation	43,824,282		43,824,282	43,815,966		43,815,966
Total	735,386,606	1,535,678	733,850,928	602,144,763	2,005,013	600,139,750

### (2) Provision for decline in the value of inventories

Unit: RMB

Category	Opening balance	Increased in this term	Decreased in this term	Closing balance
Raw materials	1,438,767		532	1,438,235
Products in stock	566,246		468,803	97,443
Total	2,005,013		469,335	1,535,678

## 7. Assets classified as held for sale

Item	Closing balance	Opening balance
Intangible assets		15,048,314
Construction in progress		30,935,206
Total		45,983,520

The subsidiary of the Group, Dongguan CSG PV-tech signed a grant contract of land use right with third party Dongguan Chaoyin Textile Co., LTD. (Dongguan Chaoyin Company) on 17 June 2016. Dongguan CSG PV-tech sold its land use right along with the buildings on the land to Dongguan Chaoyin Company. Therefore, the construction in progress and intangible assets of Dongguan CSG PV-tech were transferred to assets held for sale. The transfer of property rights of the above assets held for sale had been completed in the first half year of 2019.

**8. Other current assets**

New revenue guidelines have been implemented or not

☐ Yes ☒ No

Unit: RMB

Item	Closing balance	Opening balance
VAT to be offset	113,460,645	115,329,834
Enterprise income tax prepaid	18,185,112	21,277,486
VAT input to be recognized	4,550,217	8,720,129
Entrusted loan(i)		300,000,000
Total	136,195,974	445,327,449

(i) On December 21, 2018, reviewed and approved by the Group's Eighth Session of the Board of Directors, The Group issued Tengchong Yuezhou Water Investment Development Co., Ltd. entrusted Loans RMB 0.3 billion via China Everbright Bank shenzhen(Nanshan) branch. The period of entrusted loan was 3 months with annual interest rate 8.5%.

**9. Fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	10,301,649,825	9,930,843,775
Total	10,301,649,825	9,930,843,775

**(1) Particulars of fixed assets**

Unit: RMB

Item	Buildings	Machinery and equipment	Motor vehicles	Total
I. Original book value:				
1. Opening balance	3,849,892,382	10,885,811,188	217,262,297	14,952,965,867
2. Increased amount of the period				
(1) Acquisition	1,247,258	20,117,356	2,608,274	23,972,888
(2) Transfers from construction in progress	47,523,844	782,090,759	3,125,278	832,739,881
(3) Others	6,289,936	10,216,791	996,917	17,503,644
3. Decreased amount of the period				
(1) Disposal or retirement	20,129,682	24,070,984	2,951,427	47,152,093
(2) Others	19,379,623	8,087,433	4,716,266	32,183,322
4. Closing balance	3,865,444,115	11,666,077,677	216,325,073	15,747,846,865

II. Accumulative depreciation				
1. Opening balance	815,842,766	3,891,110,695	203,490,662	4,910,444,123
2. Increased amount of the period				
(1) Provision	59,093,953	376,020,156	10,153,909	445,268,018
3. Decreased amount of the period				
(1) Disposal or retirement	4,315,243	15,229,189	2,852,137	22,396,569
(2) Others	251,443	7,415,680	791,915	8,459,038
4. Closing balance	870,370,033	4,244,485,982	210,000,519	5,324,856,534
III. Depreciation reserves				
1. Opening balance	21,851,716	89,826,253		111,677,969
2. Increased amount of the period				
(1) Provision				
(2) Others		25,475,004		25,475,004
3. Decreased amount of the period				
(1) Disposal or retirement	10,580,861	5,231,606		15,812,467
4. Closing balance	11,270,855	110,069,651		121,340,506
IV. Book value				
1. Closing book value	2,983,803,227	7,311,522,044	6,324,554	10,301,649,825
2. Opening book value	3,012,197,900	6,904,874,240	13,771,635	9,930,843,775

**(2) Fixed assets under finance leasing**

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment loss	Book value
Machinery and equipment	2,732,521,187	733,264,870		1,999,256,317

**(3) Fixed assets with pending certificates of ownership**

Unit: RMB

Item	Carrying amount	Reasons for not yet obtaining certificates of title
Buildings	853,899,225	Have submitted the required documents and are in the process of application, or the related land use right certificate pending

**10. Construction in process**

Unit: RMB

Item	Closing balance	Opening balance
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Construction in process	1,940,864,955	2,559,179,442
Total	1,940,864,955	2,559,179,442

**(1)Particulars of construction in process**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment loss	Book value	Book balance	Provision for impairment loss	Book value
Yichang CSG polysilicon tech-innovation project	1,485,694,938	253,983,876	1,231,711,062	1,465,710,819	253,983,876	1,211,726,943
Yichang display device company flat panel display project	367,355,053	14,160,474	353,194,579	354,190,988	14,160,474	340,030,514
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
Yichang 1GW silicon slice project	69,344,765		69,344,765	48,859,613		48,859,613
LED Sapphire Substrate Project	32,420,412	32,420,412		32,420,412	32,420,412	-
Chengdu float Environmental reforming project	21,002,688		21,002,688	16,989,203		16,989,203
Dongguan Jingyu Jadeglass Project	20,879,575		20,879,575	14,273,358		14,273,358
Hebei CSG Environmental reforming project	19,012,500		19,012,500	19,012,500		19,012,500
Qingyuan CSG Ultra-white electronic glass and ultra-white special glass production line project	16,877,130		16,877,130	338,679		338,679
Qingyuan quartz material processing production line	15,036,052		15,036,052	1,976,972		1,976,972
Dongguan PV Tech Block A 300MW PERC battery technology upgrade	14,709,953		14,709,953	-		-
Wujiang float Environmental reforming project	9,239,740		9,239,740	16,494,538		16,494,538
Dongguan Solar New PV Tech Glass Processing Project	4,984,716		4,984,716	41,074,003		41,074,003
Yichang CSG polysilicon Wafer production capacity and tech-upgrade project				707,199,477	25,475,004	681,724,473
Others	126,555,201	405,983	126,149,218	128,361,652	405,983	127,955,669

Total	2,282,083,718	341,218,763	1,940,864,955	2,925,873,209	366,693,767	2,559,179,442
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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	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
Yichang CSG polysilicon tech-innovation project	49,520,000	1,465,710,819	19,984,119		1,485,694,938	60%	60%				Internal fund and bank loan
Yichang display device company flat panel display project	1,970,000,000	354,190,988	14,632,570	1,468,505	367,355,053	89%	91%	10,287,637	1,743,885	5.00%	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
Yichang 1GW silicon slice project	1,073,209,600	48,859,613	20,485,152		69,344,765	86%	86%	13,375,050	1,661,105	5.33%	Internal fund and bank loan
LED Sapphire Substrate Project	35,000,000	32,420,412			32,420,412	93%	93%	4,650,543			Internal fund and bank loan
Chengdu float Environmental reforming project	25,000,000	16,989,203	4,013,485		21,002,688	84%	95%				Internal fund
Dongguan Jingyu Jadeglass Project	30,000,000	14,273,358	6,606,217		20,879,575	70%	100%				Internal fund
Hebei CSG Environmental reforming project	25,700,000	19,012,500			19,012,500	74%	100%				Internal fund
Qingyuan CSG Ultra-white electronic glass and ultra-white special glass production line project	785,000,000	338,679	16,538,451		16,877,130	2%	5%	102,536	102,536	5.23%	Internal fund and bank loan

Qingyuan quartz material processing production line	22,800,000	1,976,972	13,059,080		15,036,052	38%	45%				Internal fund and bank loan
Dongguan PV Tech Block A 300MWPERC battery technology upgrade	67,180,000		14,709,953		14,709,953	20%	30%	120,083	120,083	5.65%	Internal fund and bank loan
Wujiang float Environmental reforming project	50,300,000	16,494,538	11,137,296	18,392,094	9,239,740	56%	98%				Internal fund
Dongguan Solar New PV Tech Glass Processing Project	60,000,000	41,074,003	66,351	36,155,638	4,984,716	95%	99%				Internal fund
Yichang CSG polysilicon Wafer production capacity and tech-upgrade project	144,570,000	707,199,477	20,467,511	727,666,988		22%	100%	399,703	369,565	5.33%	Internal fund and bank loan
Dongguan PV Tech 100MW PERC battery line technology upgrade	24,220,000		24,207,137	24,207,137		100%	100%	185,803	185,803	5.65%	Internal fund and bank loan
Others	956,601,183	128,361,652	23,043,068	24,849,519	126,555,201			32,539,875	26,289		Internal fund and bank loan
Total	5,715,510,783	2,925,873,209	188,950,390	832,739,881	2,282,083,718			61,661,230	4,209,266		--

**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	283,187,833	4,456,536	38,007,416	1,352,255,485
2. Increased amount of this period					
(1) Acquisition				998,651	998,651
(2) Internal R&D		19,782,076			19,782,076
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	1,026,603,700	302,969,909	4,456,536	39,006,067	1,373,036,212
II. Accumulated amortisation					
1. Opening balance	170,241,896	97,385,754	4,107,365	31,578,666	303,313,681
2. Increased amount of this period					
(1) Provision	10,193,269	12,688,367	200,321	3,039,519	26,121,476
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	180,435,165	110,074,121	4,307,686	34,618,185	329,435,157
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	846,168,535	179,694,441	148,850	4,378,749	1,030,390,575
2. Opening book value	856,361,804	172,600,732	349,171	6,419,617	1,035,731,324

At the end of the period, the intangible assets arising from internal research and development accounted for 15.44% 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	5,106,319	

As at June 30, 2019, ownership certificates of land use right ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB 5,106,319 (cost: RMB 6,586,712) had not yet been obtained by the Group (as at December 31, 2018, carrying amount: RMB 5,228,694, 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	Transfer to current profit and loss	
Development expenditure	74,549,257	15,806,245	19,782,076	0	70,573,426
Total	74,549,257	15,806,245	19,782,076	0	70,573,426

During Jan.-Jun. 2019, the total amount of research and development expenditures of the Group was RMB 190,082,381 (Jan.-Jun. 2018: RMB 185,844,867), including RMB 174,276,136 (Jan.-Jun. 2018: RMB 166,041,185) recorded in income statement for current period and the research and development expenditure with the amount of RMB 19,782,076 recognised as intangible assets for the current period (Jan.-Jun. 2018: 9,191,305). At June 30, 2019, the intangible assets arising from internal research and development accounted for 15.44% of total of intangible assets (31 December 2018: 14.21%).

## 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

### (2) Goodwill impairment provision

Unit: RMB

Name of the companies or goodwill item	Opening balance	Increased this term	Decreased this term	Closing balance
		Provision	Disposal	

Shenzhen CSG Display	20,672,000			20,672,000
Total	20,672,000			20,672,000

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

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

#### 14. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increased this term	Amortized this term	Other reduction amount	Closing balance
Expenses to be amortized	12,746,609		881,546	43,237	11,821,826
Total	12,746,609		881,546	43,237	11,821,826

#### 15. Deferred income tax assets/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	388,962,992	66,086,098	394,331,591	68,458,375
Deductible loss	428,205,355	76,822,319	407,739,415	72,421,592
Government grants	199,110,087	32,741,260	256,949,965	41,523,325
Accrued expenses	32,292,708	4,843,906	42,393,456	6,359,019
Depreciation of fixed assets	28,350,180	4,477,980	27,973,574	4,311,723
Share payment	25,154,672	3,983,574	16,366,061	2,597,038
Total	1,102,075,994	188,955,137	1,145,754,062	195,671,072

##### (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	481,202,388	79,025,435	474,157,813	78,260,394
Total	481,202,388	79,025,435	474,157,813	78,260,394

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

Unit: RMB

Item	Off-set amount of deferred income tax assets and liabilities at the period-end	Closing balance of deferred income tax assets or liabilities after off-set	Off-set amount of deferred income tax assets and liabilities at the period-beginning	Opening balance of deferred income tax assets or liabilities after off-set
Deferred tax assets	47,219,370	141,735,767	56,141,554	139,529,518
Deferred tax liabilities	47,219,370	31,806,065	56,141,554	22,118,840

**(4) Details of unrecognised deferred income tax assets**

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	604,072,642	517,898,158
Total	604,072,642	517,898,158

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

Unit: RMB

Year	Closing balance	Opening balance	Note
2019	82,300,000	82,300,000	
2020	94,430,197	94,430,197	
2021	111,625,585	111,625,585	
2022	83,303,539	83,303,539	
2023	146,238,837	146,238,837	
2024	86,174,484		
Total	604,072,642	517,898,158	--

**16. Other non-current assets**

New revenue guidelines have been implemented or not

☐ Yes ☒ No

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment of engineering equipment	49,078,781		49,078,781	50,315,934		50,315,934
Prepayment for lease of land use rights	6,510,000		6,510,000	6,510,000		6,510,000
Total	55,588,781		55,588,781	56,825,934		56,825,934

## 17. Short-term loans

### (1) Categories of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Mortgage loan		5,000,000
Guaranteed loan	615,570,348	909,679,590
Unsecured loan	2,050,000,000	2,008,000,000
Total	2,665,570,348	2,922,679,590

(i) On June 30, 2019, the Company provided guarantees for short-term loans of RMB 615,570,348 (31 December 2018: RMB 909,679,590). There was no counter-guarantee provided by the minority shareholders of the subsidiary to the Company (31 December 2018: Nil).

(ii) As at June 30, 2019, the interest of short-term borrowings varied from 2.95%-5.66% (31 December 2018: 2.95%-5.66%).

## 18. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance notes	280,009,274	105,150,000
Total	280,009,274	105,150,000

The total amount of notes payable that has not been paid at the end of the period is RMB 0.

## 19. Accounts payable

### (1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Materials payable	679,095,407	749,987,838

Equipment payable	180,219,271	230,997,567
Construction expenses payable	93,786,288	133,247,003
Freight payable	65,446,576	62,455,534
Utilities payable	31,448,673	27,099,683
Others	6,505,589	6,071,638
Total	1,056,501,804	1,209,859,263

**(2) Significant accounts payable due for over one year**

Unit: RMB

Item	Closing balance	Unpaid reason
Construction and equipments.	147,128,769	As the construction work had not passed the final acceptance test yet, the balance was not yet settled.
Total	147,128,769	--

**20. Advances from customers**

New revenue guidelines have been implemented or not

☐ Yes ☒ No**(1) List of advances from customers**

Unit: RMB

Item	Closing balance	Opening balance
Advances for goods from customers	228,877,586	206,631,008
Total	228,877,586	206,631,008

**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	262,906,600	649,467,471	727,357,752	185,016,319
II. Welfare after departure- defined contribution plans	54,313	50,023,846	49,987,067	91,092
Termination benefits	3,498,238	11,859,878	15,358,116	0
Total	266,459,151	711,351,195	792,702,935	185,107,411



**(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	242,564,302	587,179,294	665,590,374	164,153,222
2. Social security contributions	24,681	20,225,357	20,204,911	45,127
Including: Medical insurance	21,305	17,304,440	17,284,926	40,819
Work injury insurance	2,357	1,658,348	1,658,174	2,531
Maternity insurance	1,019	1,262,569	1,261,811	1,777
3. Housing funds	2,613,587	21,115,726	21,591,764	2,137,549
4. Labour union funds and employee education funds	17,704,030	7,571,750	6,595,359	18,680,421
5. Share payment (i)		13,375,344	13,375,344	
Total	262,906,600	649,467,471	727,357,752	185,016,319

**(3) List of defined contribution plans**

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
1. Basic pensions	52,573	48,313,250	48,277,911	87,912
2. Unemployment insurance	1,740	1,710,596	1,709,156	3,180
Total	54,313	50,023,846	49,987,067	91,092

(i) Pursuant to the resolution at the 8th 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 business. 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 was RMB 289,519,900. The total value of such fair value as the total cost of the Company's equity incentive plan would be confirmed in stages according to the ratio of unlocking/exercising in the implementation of the equity incentive plan, and it was included in the cost in the term of "management fees and Construction in progress " and "capital reserves - other capital reserves".

Pursuant to the resolution at the 8th session in the temporary conference of the board of directors of the Company on 13 September 2018, the grant date was confirmed on September 13, 2018. the Company awarded 9,826,580 restricted shares to 75 incentive objects for the first time at RMB 3.68 per share. The total fair value of the equity instruments granted to the incentive object by the Company was RMB 8,256,000. The total value of such fair value as the total cost of the Company's equity incentive plan would 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 Construction in progress " and "capital reserves - other capital reserves".

During Jan.-Jun. 2019, the cost associated with equity incentive plan was confirmed at RMB 13,375,344.

**22. Tax payable**

Unit: RMB

Item	Closing balance	Opening balance
Value-added-tax payable	34,255,820	54,091,751
Corporate income tax payable	38,529,879	36,008,341
Individual income tax payable	3,435,837	3,367,389
City maintenance and construction tax	3,486,794	3,246,775
Property tax	8,128,702	5,156,058
Education surcharge	3,025,558	2,586,657
Environmental protection tax	2,406,129	2,350,943
Others	3,146,248	5,159,451
Total	96,414,967	111,967,365

**23. Other payables**

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	73,933,818	73,612,703
Dividend payable	3,221,496	2,846,362
Other payables	279,824,498	476,292,122
Total	356,979,812	552,751,187

**(1) 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	448,382	754,878
Interest payable for short-term borrowings	6,578,327	7,590,517
Interest payable for medium term notes	66,907,109	65,267,308
Total	73,933,818	73,612,703

**(2) Dividends payable**

Unit: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

Restricted shares dividend	3,221,496	2,846,362
Total	3,221,496	2,846,362

**(3) Other payables**

## 1) Listing other payables by nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Guarantee deposits received from construction contractors	66,106,119	63,181,510
Accrued cost of sales	31,030,410	37,407,112
Temporary collection of payment for land transfer		56,106,781
Payable for contracted labour costs	15,461,098	16,030,100
Temporary receipts	16,757,175	13,581,459
Deposit for disabled	5,699,448	4,943,347
Restricted share repurchases obligation	137,277,563	275,748,309
Others	7,492,685	9,293,504
Total	279,824,498	476,292,122

## 2) Important other payables aged over one year

Unit: RMB

Item	Closing balance	Remarks
Restricted share repurchase obligation	137,277,563	Mainly for restricted stock repurchase obligation
Total	137,277,563	--

**24. Current portion of non-current liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Current portion of long-term borrowings	33,800,000	87,800,000
Current portion of long-term payables	680,386,697	731,648,742
Total	714,186,697	819,448,742

**25. Other current liabilities**

Unit: RMB

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

Total	300,000	300,000
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## 26. Long-term borrowings

### (1) Categories of long-term loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed	292,462,500	315,700,000
Medium term notes	2,000,000,000	2,000,000,000
Total	2,292,462,500	2,315,700,000

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 2019, the interest of long-term borrowings varied from 4.75%-7.0% (31 December 2018: 4.75%-7.0%).

## 27. Long-term account payable

Unit: RMB

Item	Closing balance	Opening balance
Long-term account payable	291,363,152	529,910,796
Total	291,363,152	529,910,796

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

Unit: RMB

Item	Closing balance	Opening balance
Financial lease	291,363,152	529,910,796

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, 2019, the real interest rate of financing lease loans is 4.49%-7.8%.

**28. Deferred income**

Unit: RMB

Item	Opening balance	Increase in current period	decrease in current period	Closing balance	Reason
Government grants	601,825,780	11,800,000	76,730,356	536,895,424	
Total	601,825,780	11,800,000	76,730,356	536,895,424	--

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)	50,342,227			1,687,446			48,654,781	Assets related
Dongguan CSG Golden Sun Project (ii)	40,577,250			1,375,500			39,201,750	Assets related
Hebei CSG Golden Sun Project (iii)	41,250,000			1,375,000			39,875,000	Assets related
Xianning CSG Golden Sun Project (iv)	44,952,417			1,515,250			43,437,167	Assets related
Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v)	35,587,360			2,020,769			33,566,591	Assets related
Qingyuan Energy-saving project (vi)	18,319,167			1,235,000			17,084,167	Assets related
Yichang Silicon products project (vii)	18,984,375			1,406,250			17,578,125	Assets related
Yichang CSG silicon slice auxiliary project (viii)	9,614,011			537,045			9,076,966	Assets related
Sichuan energy-saving glass project (ix)	8,821,440			827,010			7,994,430	Assets related
Group coating film experimental project (x)	5,642,520			941,880			4,700,640	Assets related
Yichang expert silicon project (xi)	3,327,153			151,589			3,175,564	Assets related
Yichang semiconductor silicon project (xii)	3,133,333			133,333			3,000,000	Assets related

Yichang CSG Display project (xiii)	48,302,126			1,267,240			47,034,886	Assets related
Xianning Photoelectric project (xiv)	7,800,000			260,000			7,540,000	Assets related
Group talent fund project (xv)	171,000,000						171,000,000	Income related
Qingyuan CSG Energy-Saving Industry Co-construction support fund(xvi) (xvi)	62,826,544	8,830,000		59,805,272			11,851,272	Income related
Others	31,345,857	2,970,000		2,191,772			32,124,085	Assets and income related
Total	601,825,780	11,800,000		76,730,356			536,895,424	—

(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 Yichang CSG polysilicon 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 polysilicon 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 polysilicon 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 import discount complement and international corporation special subsidy. The grant will be amortised and credited to income statement by 12 to 15 years.

(xii) It represented the special subsidy of Yichang National Regional Strategic Emerging Industry Development Pilot Project II, which is used to complement Yichang CSG Polysilicon “Hubei semiconductor silicon preparative technique project laboratory”. The grant will be amortised and credited to income statement by 15 years.

(xiii) It represented the funds granted by Yichang Municipal Government for Yichang CSG Display Company's flat project construction support funds and construction of coil coating three-line project. The grant will be amortised and credited to income statement by 15 years.

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

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

(xvi) The allowance was granted by Fogang Municipal Government related 2018 province industry co-construction support fund. The allowance was used for company development and operation by Qingyuan CSG New Energy-Saving Materials Co., Ltd.

## 29. 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	2,863,277,201			282,563,286	-37,644,324	244,918,962	3,108,196,163

## 30. Capital surplus

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
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Capital premium (Share premium)	1,123,780,211		384,897,002	738,883,209
Other capital surplus	-28,440,790	13,375,344		-15,065,446
Total	1,095,339,421	13,375,344	384,897,002	723,817,763

(i) The Company passed the 2018 annual general meeting of shareholders held on May 9, 2019 and transferred 1 share to every 10 shares for all shareholders. The total share capital before the distribution was 2,825,632,877 shares, and the total share capital after the dividend was increased to 3,108,196,163 shares. Capital reserve decreased by RMB 282,563,286.

(ii) On December 12, 2018, the Company held an interim meeting of the 8<sup>th</sup> Board of Directors and an interim meeting of the 8th Board of Supervisors, and reviewed and approved the Proposal on Repurchase and Cancelling Some Restricted Stocks of Restricted Stock Incentive Plan, and agreed to repurchase and cancel the total of 436,719 shares of all restricted stocks held by 8 unqualified original incentives. The proposal was approved by the 3<sup>rd</sup> Extraordinary General Meeting in 2018 on December 28, 2018. As of June 18, 2019, the Company has completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On April 16, 2019, the Company held the 8th Meeting of the Eighth Board of Directors and the 8th Meeting of the Eighth Board of Supervisors, which reviewed and approved the Proposal on Repurchase and Cancellation of Part of Restricted Stocks of Restricted Stock Incentive Plan and the Proposal on Repurchase and Cancellation of Restricted Stocks that Had Not Reached the Unlocking Condition of the Second Unlock Period, and agreed to repurchase and cancel the total of 3,473,329 shares of all restricted stocks held by 14 unqualified original incentives, as well as the total of 33,734,276 shares of 483 incentive objects that did not meet the unlocking conditions of the second unlock period. The independent directors of the Company issued a consent opinion. And on May 9, 2019, the proposals were approved by the 2018 Annual General Meeting of Shareholders. As of June 18, 2019, the Company had completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

After the above restricted stock repurchase, the capital reserve decreased by RMB 102,333,716.

(iii) Due to the equity incentive plan, the share payment fee of RMB 13,375,344 was confirmed in the period.

### 31. Treasury shares

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
Obligations of restricted share buybacks	277,180,983		139,903,420	137,277,563
Total	277,180,983		139,903,420	137,277,563

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

### 32. Other comprehensive income

Unit: RMB

Item	Opening	Occuring in current period	Closing
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	balance	Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	balance
I. Other comprehensive income items which can not be reclassified to profit or loss							
II. Other comprehensive income items which will be reclassified to profit or loss	5,080,234	280,161			280,161		5,360,395
Differences on translation of foreign currency financial statements	2,530,234	280,161			280,161		2,810,395
Finance incentives for energy and technical transformation	2,550,000						2,550,000
Total of other comprehensive income	5,080,234	280,161			280,161		5,360,395

### 33. Special reserves

Unit: RMB

Item	Opening balance	Increased this term	Decreased this term	Closing balance
Safety production cost	6,068,600	3,646,882	1,480,231	8,235,251
Total	6,068,600	3,646,882	1,480,231	8,235,251

### 34. Surplus reserves

Unit: RMB

Item	Beginning of term	Increased this term	Decreased this term	End of term
Statutory surplus reserve	796,452,807			796,452,807
Discretionary surplus reserve	127,852,568			127,852,568
Total	924,305,375			924,305,375

### 35. Undistributed profits

Unit: RMB

Items	The current period	The same period of last year
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Retained earnings at the end of the previous term before adjustment	4,486,264,723	4,159,642,227
Retained earnings at the beginning of this term after adjustment	4,486,264,723	4,159,642,227
Add: net profits belonging to equity holders of the Company	377,342,401	352,837,153
Less: Appropriations to statutory surplus reserve		
common stock dividends payable	141,207,035	124,041,424
Retained earnings in the end	4,722,400,089	4,388,437,956

### 36. Revenue and cost of sales

Unit: RMB

Item	Occurred in current term		Occurred in previous term	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	4,850,355,669	3,668,177,768	5,427,330,622	4,086,213,828
Revenue from other operations	37,881,909	3,199,057	43,838,976	13,282,926
Total	4,888,237,578	3,671,376,825	5,471,169,598	4,099,496,754

New revenue guidelines have been implemented or not

☐ Yes    ☒ No

### 37. Tax and surcharge

Unit: RMB

Item	Occurred in current term	Occurred in previous term
City maintenance and construction tax	15,651,946	20,205,850
Educational surcharge	13,026,844	16,053,678
Housing property tax	15,524,671	15,231,539
Land use rights	6,750,190	10,028,066
Environmental protection tax	4,518,549	5,879,730
Others	1,215,797	4,531,683
Total	56,687,997	71,930,546

### 38. Selling Expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Freight expenses	76,898,158	83,319,840

Employee benefits	66,858,153	56,534,666
Entertainment expenses	7,648,722	6,061,293
Business travel expenses	5,382,042	4,909,377
Vehicle use fee	3,898,844	3,839,779
Rental expenses	3,374,917	3,085,489
Compensation	960,672	765,215
General office expenses	1,561,077	1,492,596
Depreciation expenses	446,163	494,202
Others	5,474,651	11,714,797
<b>Total</b>	<b>172,503,399</b>	<b>172,217,254</b>

### 39. Administrative Expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Employee benefits	168,542,149	237,887,025
Depreciation expenses	32,466,946	31,624,004
Amortisation of intangible assets	26,121,476	23,153,773
General office expenses	9,380,061	10,595,047
Labour union funds	7,121,128	7,756,982
Entertainment fees	5,308,266	7,056,600
Business travel expenses	4,513,036	5,348,267
Utility fees	3,597,714	4,734,267
Canteen costs	3,517,232	4,046,654
Vehicle use fee	2,421,233	3,268,588
Rental expenses	2,486,878	2,273,435
Consulting advisers	15,564,251	14,334,351
Others	11,821,985	22,433,824
<b>Total</b>	<b>292,862,355</b>	<b>374,512,817</b>

### 40. Research and development expenses

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Research and development expenses	174,276,136	166,041,185
<b>Total</b>	<b>174,276,136</b>	<b>166,041,185</b>

**41. Finance Expenses**

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Interest expenses	171,031,605	203,531,507
Less: Interest income	14,923,375	23,033,418
Exchange losses	-1,574,396	-1,568,225
Others	4,533,025	6,947,562
Total	159,066,859	185,877,426

**42. Other income**

Unit: RMB

Source of other gains	Occurred in current term	Occurred in previous term
Government subsidy amortization	76,730,356	15,268,650
Industry support funds	14,640,420	236,000
Government incentive funds	6,133,101	4,239,400
Energy conservation and utilization support funds	700,000	7,000
Research grants	3,859,699	1,423,460
Tax refund	4,480,538	22,194
Others	1,211,299	667,096
Total	107,755,413	21,863,800

**43. Asset impairment losses**

New revenue guidelines have been implemented or not

☐ Yes ☒ No

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Bad debt loss	-3,765,670	-3,653,609
Total	-3,765,670	-3,653,609

**44. Asset disposal income**

Unit: RMB

Source of income from assets disposal	Occurred in current term	Occurred in previous term
Gains on disposal of assets	370,969	-567,830

**45. 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 subsidy		150,000	
Compensation income	2,723,039	837,396	2,723,039
Amounts unable to pay	353,473	282,061	353,473
Others	589,803	1,326,338	589,803
Total	3,666,315	2,595,795	3,666,315

**46. 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	1,565,000		1,565,000
Compensation	4,077,304		4,077,304
Others	650,923	878,551	650,923
Total	6,293,227	878,551	6,293,227

**47. Income tax expenses****(1) List of income tax expenses**

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Current income tax	68,977,764	77,115,637
Deferred income tax	7,480,976	-15,744,533
Total	76,458,740	61,371,104

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

Unit: RMB

Item	Occurred in current term
Total profit	463,197,807
Current income tax expense accounted by tax and relevant regulations	63,521,405
Costs, expenses and losses not deductible for tax purposes	656,832

Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets	21,543,621
Impact on the use of deductible loss of deferred income tax assets not recognized in previous period	-980,510
Balance the previous year income tax adjustment	-4,359,545
Impact of tax incentives	-3,923,063
Income tax expenses	76,458,740

#### 48. Items of the cash flow statement

##### (1) Cash generated by other operating activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Interest income	14,923,375	23,033,418
Government grant	42,825,057	6,745,150
Others	11,580,256	34,088,357
Total	69,328,688	63,866,925

##### (2) Cash paid relating to other operating activities

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Freight expenses	89,770,136	88,366,623
Canteen costs	16,876,581	18,797,322
General office expenses	16,108,811	15,300,093
Business travel expenses	12,052,639	12,947,259
Entertainment fees	13,964,607	13,644,421
Vehicle use fee	6,995,143	7,827,828
Bank fees	4,533,025	6,947,562
Insurance	9,534,154	9,642,870
Research and development expenses	16,850,014	32,721,683
Maintenance fee	14,530,543	15,974,559
Rental expenses	5,861,795	5,358,924
Consulting fees	10,062,588	8,397,822
Others	97,407,871	74,446,270
Total	314,547,907	310,373,236

**(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
Deposit	5,471,303	
Income from trial production of construction in progress	30,851,703	1,045,277
Total	36,323,006	3,725,277

**(4) Cash paid relating to other investing activities**

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Trial production expenditure in construction	44,089,887	54,018,834
Payment for deposit and margin		4,673,145
Total	44,089,887	58,691,979

**(5) Cash generated by other financing activities**

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Income from financing leases	200,000,000	
Collect entrusted loan	300,000,000	
Collection of income tax of dividends of A-share & B-share	154,376	1,276,534
Collect industrial production scheduling fund		15,000,000
Total	500,154,376	16,276,534

**(6) Cash paid relating to other financing activities**

Unit: RMB

Item	Occurred in current term	Occurred in previous term
Repay financing leases	515,199,702	347,964,797
Equity incentive repurchase payment	139,978,039	
Payment for deposit and margin	147,843,719	12,116,876
Payment for margin and fees of loans and bills	5,746,178	1,920,000
Total	808,767,638	362,001,673

**49. 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	386,739,067	359,082,117
Add: Provisions for assets impairment	3,765,670	3,653,609
Depreciation of fixed assets, gas and petrol depreciation, production goods depreciation	445,268,018	497,530,356
Amortisation of intangible assets	26,121,476	23,153,773
Amortisation of long-term prepaid expenses	881,546	794,984
Losses on disposal of fixed assets intangible assets and other long-term assets ("for gains)	-370,969	567,830
Finance expenses ("for gains)	171,031,605	203,531,507
Decrease in deferred tax assets ("for increase)	-2,206,249	-19,247,637
Increase of deferred income tax liability ("for decrease)	9,687,225	3,503,104
Decrease of inventory ("for increase)	-133,241,843	-27,723,994
Decrease of operational receivable items ("for increase)	-157,088,345	-288,368,392
Increase of operational payable items ("for decrease)	1,853,269	-88,311,767
Others	15,541,995	96,398,598
Net cash flow generated by business operation	767,982,465	764,564,088
2. Significant investment and financing activities that do not involve cash receipts and payments:	--	--
3. Net change of cash and cash equivalents	--	--
Balance of cash at period end	1,744,240,866	3,358,253,346
Less: Initial balance of cash	2,225,126,913	2,459,753,165
Net increasing of cash and cash equivalents	-480,886,047	898,500,181

**(2) Formation of cash and cash equivalents**

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,744,240,866	2,225,126,913
Incl: Cash on hand	5,669	9,731



Bank deposits that can be readily drawn on demand	1,744,235,197	2,225,117,182
III. Balance of cash and cash equivalents at the end of the period	1,744,240,866	2,225,126,913

## 50. Assets with restricted ownership or use rights

Unit: RMB

Item	Ending book value	Reason for restriction
Monetary assets	151,216,424	Restricted deposit flow
Fixed assets	1,999,256,317	Limited finance lease
Total	2,150,472,741	--

## 51. 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	--	--	90,753,974
Incl: USD	12,816,140	6.8747	88,107,118
EUR	52,433	7.8170	409,869
HKD	1,837,464	0.8797	1,616,417
JPY	9,648,605	0.0638	615,581
AUD	1,036	4.8156	4,989
Accounts receivable	--	--	139,825,244
Incl: USD	18,085,697	6.8747	124,333,741
EUR	1,702,710	7.8170	13,310,084
HKD	2,479,731	0.8797	2,181,419
Short-term borrowings	--	--	65,977,500
Incl: HKD	75,000,000	0.8797	65,977,500
Accounts payable	--	--	51,777,069
Incl: USD	5,702,777	6.8747	39,204,881
EUR	1,376,119	7.8170	10,757,122
HKD	307	0.8797	270
JPY	28,445,078	0.0638	1,814,796

**52. Government subsidy****(1) Basic situation of government subsidies**

Unit: RMB

Type	Amount	Presentation project	Amount included in current profit and loss
Government subsidy amortization	76,730,356	Other income	76,730,356
Other government subsidies	31,025,057	Other income	31,025,057

**VIII. The changes of consolidation scope****1. Changes in scope of consolidation for other reasons**

On March 21, 2019, the Group set up a subsidiary, Zhuhai CSG Commercial Factoring Co., Ltd.. As of June 30, 2019, the Group has invested RMB 10,000,000. The Group owns 100% of its equity.

On May 14, 2019, the Group set up a subsidiary, Zhuhai Hengqin New District CSG Glass Industry Co., Ltd.. As of June 30, 2019, the Group owns 100% of its equity.

On June 11, 2019, the Group set up a subsidiary, Shenzhen CSG Supply Chain Management Service Co., Ltd.. As of June 30, 2019, the Group owns 100% of its equity.

**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 Engineering	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
Dongguan CSG PV-tech	Dongguan, PRC	Dongguan, PRC	Production and sales of hi-tech green battery and components		100%	Establishment
Yichang CSG Polysilicon	Yichang, PRC	Yichang, PRC	Production and sales of high-purity silicon materials	75%	25%	Establishment
Wujiang CSG Engineering	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
Qingyuan CSG New Energy Co., Ltd.	Qingyuan, PRC	Qingyuan, PRC	Clean energy development, photovoltaic power generation		100%	Establishment
Suzhou CSG PV-tech Co., Ltd.	Wujiang, PRC	Wujiang, PRC	Clean energy development, photovoltaic power generation		100%	Establishment
Wujiang CSG New Energy Co., Ltd.	Wujiang, PRC	Wujiang, PRC	Clean energy development, photovoltaic power generation		100%	Establishment
Yichang CSG New Energy Co., Ltd	Yichang, PRC	Yichang, PRC	Clean energy development, photovoltaic power generation		100%	Establishment
Shenzhen CSG Display:	Shenzhen, PRC	Shenzhen, PRC	Production and sales of display component products	60.8%		Acquisition

Xianning CSG Photoelectric	Xianning, PRC	Xianning, PRC	Photoelectric glass and high aluminium glass	37.5%	62.5%	Acquisition
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**(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 2019	Dividends distributed to minority interests for the year ended 30 June 2019	Minority interest as at 30 June 2019
Shenzhen CSG Display	39.20%	8,661,678		327,464,534

**(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 CSG Display	168,441,660	1,414,325,762	1,582,767,422	582,370,921	129,923,052	712,293,973
	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
	220,538,417	1,418,945,195	1,639,483,612	620,430,756	171,541,290	791,972,046

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 CSG Display	276,594,464	22,096,117	22,096,117	47,005,530	240,861,525	11,154,553	11,154,553	30,440,528

**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 adjusts settlement currency of export business, to furthest reduce the currency risk.

As at 30 June 2019 the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2019			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency-				
Cash at bank and on hand	88,107,118	1,616,417	1,030,439	90,753,974
Receivables	124,333,741	2,181,419	13,310,084	139,825,244
Total	212,440,859	3,797,836	14,340,523	230,579,218
Financial liabilities denominated in foreign currency				
Short-term borrowings		65,977,500		65,977,500
Payables	39,204,881	270	12,571,918	51,777,069
Total	39,204,881	65,977,770	12,571,918	117,754,569

	31 December 2018			
	USD	HKD	Others	Total
Financial assets denominated in foreign currency-				
Cash at bank and on hand	81,350,525	1,383,594	1,304,925	84,039,044
Receivables	118,697,795	1,372,872	7,429,706	127,500,373
Total	200,048,320	2,756,466	8,734,631	211,539,417
Financial liabilities denominated in foreign currency				
Short-term borrowings		65,715,000		65,715,000
Payables	56,170,817	269	12,397,080	68,568,166
Total	56,170,817	65,715,269	12,397,080	134,283,166

As at 30 June 2019, 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 RMB 14,725,058 lower/higher (31 December 2018: approximately RMB 12,229,588 lower/higher) for various financial assets and liabilities denominated in USD.

As at 30 June 2019, 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 RMB 5,285,294 higher/lower (31 December 2018: approximately RMB 5,351,498 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 2019, the Group's long-term interest-bearing debt at variable rates and fixed rates as illustrated below:

Type	30 June 2019	31 December 2018
Debt at fixed rates	2,244,650,000	2,258,325,000
Debt at variable rates	47,812,500	57,375,000
Total	2,292,462,500	2,315,700,000

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 2019, the Group had net current liabilities of approximately RMB 1,066 million and committed capital expenditures of approximately RMB 595 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 monitor 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 2019				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	2,726,856,105				2,726,856,105
Notes payable	280,009,274				280,009,274
Accounts payable	1,056,501,804				1,056,501,804
Other payables	356,979,812				356,979,812
Other current liabilities	300,000				300,000
Non-current liabilities due within one year	715,224,979				715,224,979
Long-term payables		238,356,652	53,006,500		291,363,152
Long-term borrowings	133,056,500	2,160,156,402	197,242,637		2,490,455,539
Total	5,268,928,474	2,398,513,054	250,249,137		7,917,690,665

	31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Short-term borrowings	2,991,136,478				2,991,136,478
Notes payable	105,150,000				105,150,000
Accounts payable	1,209,859,263				1,209,859,263
Other payables	552,751,187				552,751,187
Other current liabilities	300,000				300,000
Non-current liabilities due within one year	821,135,376				821,135,376
Long-term payables		529,910,796			529,910,796
Long-term borrowings	134,337,188	1,403,773,698	1,044,119,211		2,582,230,097
Total	5,814,669,492	1,933,684,494	1,044,119,211		8,792,473,197

## 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, etc.

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 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Medium term notes	2,000,000,000	2,059,460,000	2,000,000,000	2,028,614,800
Total	2,000,000,000	2,059,460,000	2,000,000,000	2,028,614,800

The fair values of medium-term notes is 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, and medium term notes belong to Level 2.

## XII. Related party and related Transaction

### 1. Information of the parent company

The Company regards no entity as the parent company.

### 2. The subsidiaries

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

### 3. Joint venture of the Company

Nil.

### 4. Other related parties

#### (1) Related transactions for the purchase and sale of goods, provision and receipt of services

Nil.

#### (2) Other related parties information

Nil.



## 5. Others

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 RMB 2 billion to the Company or through related parties designated by it. For any borrowing drawn, its repayment date is negotiated by the Company and Jushenghua upon withdrawal. When a borrowing is due, if an extension is needed, the Company can apply to the actual lender based on the Company's operation; where the actual lender agrees with the extension application, the term of the borrowing is extended accordingly. The Company did not borrow from shareholders in the period.

## XIII. Share Payment

### 1. Overall situation of share payment

√ Applicable    □ Not applicable

Unit: RMB

The total number of equity instruments granted by the company in the current period	
Total amount of various equity instruments that the company exercises during the current period	
The total number of various equity instruments that have repurchased in the current period	37,644,324
The scope of the company's outstanding share options and the remaining duration of the contract at the end of the period	
The scope of the company's exercise price of other equity instruments at the end of the period and the remaining duration of the contract at the end of the period	

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 454 incentive objects for the restricted shares granted under this plan included the Company's directors, senior management personnel, core management members, key technology members. 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 objects. The initial grant price was RMB 4.28 yuan per share. The number of reserved restricted stocks was 17,046,869 shares, and the grant price had not been determined. The shares granted for the first time had been registered and listed.

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

The unlock period is shown in the following table:

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

By the 2th temporary meeting of shareholders held on 6th August 2018, the Company decided to repurchase and cancel the still-restricted shares which had already been granted to and held by 15 recipients no longer qualified for “Incentive Plan” due to either resignation or position adjustment. 3,319,057 shares were repurchased and cancelled. The Company had completed the cancellation procedures for the above-mentioned restricted shares by 10 September 2018.

The Company held a temporary meeting of the 8th Board of Directors on September 13, 2018, which reviewed and approved September 13, 2018 to be the shares granting date and 75 recipients to be granted 9,826,580 restricted shares in total.

On December 12, 2018, the Company held an interim meeting of the Eighth Board of Directors and an interim meeting of the Eighth Board of Supervisors, and reviewed and approved the Proposal on Repurchase and Cancellation of Part of Restricted Stocks of Restricted Stock Incentive Plan, and agreed to repurchase and cancel the total of 436,719 shares of all restricted stocks held by 8 unqualified original incentive objects. The proposal was approved by the 3rd Extraordinary General Meeting in 2018 on December 28, 2018. As of June 18, 2019, the Company had completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On April 16, 2019, the Company held the 8th Meeting of the Eighth Board of Directors and the 8th Meeting of the Eighth Board of Supervisors, which reviewed and approved the Proposal on Repurchase and Cancellation of Part of Restricted Stocks of Restricted Stock Incentive Plan and the Proposal on Repurchase and Cancellation of Restricted Stocks that Had Not Reached the Unlocking Condition of the Second Unlock Period, and agreed to repurchase and cancel the total of 3,473,329 shares of all restricted stocks held by 14 unqualified original incentives, as well as the total of 33,734,276 shares of 483 incentive objects that did not meet the unlocking conditions of the second unlock period. The independent directors of the Company issued a consent opinion. And on May 9, 2019, the proposals were approved by the 2018 Annual General Meeting of Shareholders. As of June 18, 2019, the Company had completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

## 2. Equity-settled share payment

√ Applicable   □ Not applicable

Unit: RMB

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	165,848,197
Total equity confirmed by equity-settled share-based payment in this period	13,375,344

Other note

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 unlikable 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 Construction in progress " of each period accordingly.

By the 2th temporary meeting of shareholders held on 6th August 2018, the company decided to repurchase and cancel the still-restricted shares which have already been granted to and held by 15 recipients no longer qualified for "incentive plan" due to either resignation or position adjustment 3,319,057 shares were repurchased and cancelled, The company has finished above cancellations of the restricted shares by 10 September 2018.

The Company held the 8th temporary meeting of Board member members on September 13, 2018, which reviewed and approved September 13, 2018 to be the shares granting date and 75 recipients to be granted 9,826,580 restricted shares in total.

The Company held the 8th temporary meeting of Board member members on December 12, 2018, which reviewed and approved the releasing conditions on the first- time expiring trading restrictions of the initial part of the incentive plan on restricted shares from ordinary A. A total of 431 recipients of the incentive plan were able to fulfill the conditions. The amount of 43,353,050 shares could be released from restrictions. The restricted shares was released and listed by company on December 21 2018.

In addition, according to the Group's performance in 2018, the unlocking conditions for the second post lock-up period for the restricted shares incentive plan for 2017 and for the second post lock-up period for the restricted shares incentive plan for 2018 were not met. Therefore, by December 31 2018, expenses for the second post lock-up period for the ordinary A restricted shares was reduced by RMB 41,856,285.

On December 12, 2018, the Company held an interim meeting of the Eighth Board of Directors and an interim meeting of the Eighth Board of Supervisors, and reviewed and approved the Proposal on Repurchase and Cancellation of Part of Restricted Stocks of Restricted Stock Incentive Plan, and agreed to repurchase and cancel the total of 436,719 shares of all restricted stocks held by 8 unqualified original incentive objects. The proposal was approved by the 3rd Extraordinary General Meeting in 2018 on December 28, 2018. As of June 18, 2019, the Company had completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

On April 16, 2019, the Company held the 8<sup>th</sup> Meeting of the 8<sup>th</sup> Board of Directors and the 8<sup>th</sup> Meeting of the 8th Board of Supervisors, which reviewed and approved the Proposal on Repurchase and Cancelling of Part of Restricted Stocks of Restricted Stock Incentive Plan and the Proposal on Repurchase and Cancelling of Restricted Stocks that Had Not Reached the Unlocking Condition of the Second Unlock Period, and agreed to repurchase and cancel the total of 3,473,329 shares of all restricted stocks held by 14 unqualified original incentives, as well as the total of 33,734,276 shares of 483 incentives that did not meet the unlocking conditions of the second unlock period. The independent directors of the Company issued a consent opinion. And on May 9, 2019, the proposals were approved by the 2018 Annual General Meeting of Shareholders. As of June 18, 2019, the Company has completed the cancellation procedures for the above-mentioned restricted stocks in Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

During Jan.- Jun. 2019, the relevant cost sharing amount of the incentive plan was recognized as RMB 13,375,344 by the Group.

### 3. Share payment in cash

☐Applicable ☒ Not applicable

## XIV. Commitments and contingencies

### 1. Significant commitments

#### (1) Important commitments on balance sheet date

Item	30 June 2019	31 December 2018
Buildings, machinery and equipment	594,876,141	130,748,435

#### (2) Operating lease commitments

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

	30 June 2019	31 December 2018
Within 1 year	4,442,189	19,016,297
1 to 2 years	1,914,940	16,993,654
2 to 3 years	1,224,848	16,654,854
Over 3 years	711,027	1,093,859
Total	8,293,004	53,758,664

### 2. 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 polysilicon 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

Item	Glass industry	Electronic glass and displays	Solar energy industry	Others	Unallocated	Elimination	Total
Revenue from external customers	3,623,089,281	508,608,850	751,193,535		5,345,912		4,888,237,578
Inter-segment revenue	47,261,199	1,058,077	23,947,569		32,810,773	-105,077,618	
Interest income	1,363,338	620,805	158,048	297	12,780,887		14,923,375
Interest expenses	61,861,009	13,097,202	20,846,393		75,227,001		171,031,605
Asset impairment losses	2,601,211	342,578	916,195		-94,314		3,765,670
Depreciation and amortisation expenses	312,682,629	86,247,454	70,464,846	12,078	2,864,033		472,271,040
Total profit	417,660,118	116,699,850	25,189,844	-13,208	-92,191,776	-4,147,021	463,197,807
Income tax expenses	62,711,898	11,407,866	2,338,976				76,458,740
Net profit	354,948,220	105,291,984	22,850,868	-13,208	-92,191,776	-4,147,021	386,739,067
Total assets	8,941,702,998	3,159,708,512	4,621,850,616	628,109	1,723,296,835		18,447,187,070
Total liabilities	2,542,399,877	804,135,574	678,868,588	2,504,400	4,708,566,601		8,736,475,040
Increase in non-current assets other than long-term equity investments	61,809,809	35,067,054	95,405,330		-4,305,092		187,977,101

**(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. 2019	Jan.-Jun. 2018
Mainland	4,155,252,155	4,691,225,341
Hong Kong	123,321,165	152,221,834
Europe	28,933,096	37,480,049
Asia (other than Mainland and Hong Kong)	516,968,408	538,291,685
Australia	29,263,840	29,949,405
North America	25,808,072	18,072,258
Other regions	8,690,842	3,929,026
Total	4,888,237,578	5,471,169,598
Total non-current assets	30 June 2019	31 December 2018
Mainland	13,775,007,182	14,033,948,714
Hong Kong	12,602,362	12,647,783
Total	13,787,609,544	14,046,596,497

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

**XV. Notes to Financial Statements of the Parent Company****1. Other receivables****(1) Other receivables**

1) 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	3,551,759,074	2,739,449,549
Others	171,882,985	176,598,669
Total	3,723,642,059	2,916,048,218

2) Withdrawal of bad debt provision

Unit: RMB

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment occurred)	
Balance on 1 January	3,531,973			3,531,973

2019				
Balance on 1 January 2019 in current period	—	—	—	—
--Transferred to the Phase II				
--Transferred to the Phase III				
-- Transferred back to the Phase II				
-- Transferred back to the Phase I				
Withdrawal				
Recovery	94,314			94,314
Write-off				
Verification				
Other changes				
Balance on 30 June 2019	3,437,659			3,437,659

## 3) Disclosure by ageing

Unit: RMB

Ageing	Closing balance
Within 1 year (including 1 year)	3,552,463,309
1 to 2 years	19,703
2 to 3 years	159,047
3 to 4 years	
4 to 5 years	
Over 5 years	171,000,000
Total	3,723,642,059

## 4) Accounts receivable withdraw, reversed or collected during the reporting period

Provision for bad debts:

Unit: RMB

Category	Opening balance	Amount of change in the period		Closing balance
		Provision	Reversed or collected	
Portfolio 1	3,531,973		94,314	3,437,659
Total	3,531,973		94,314	3,437,659

## 5) 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	Ageing	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Yichang CSG Polysilicon	Subsidiary	1,892,619,307	Within 1 year	51%	
Wujiang CSG	Subsidiary	448,490,216	Within 1 year	12%	
Yichang CSG Display	Subsidiary	332,108,331	Within 1 year	9%	
Yichang Hongtai Real Estate Co. Ltd	Independent third party	171,000,000	Over 5 years	5%	3,420,000
Xianning CSG Photoelectric	Subsidiary	162,241,720	Within 1 year	4%	
Total	--	3,006,459,574	--	81%	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	4,998,474,657	15,000,000	4,983,474,657	4,979,696,831	15,000,000	4,964,696,831
Total	4,998,474,657	15,000,000	4,983,474,657	4,979,696,831	15,000,000	4,964,696,831

### (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.	152,376,524	469,806		152,846,330		
Sichuan CSG Energy Conservation	120,053,814	399,216		120,453,030		
Tianjin Energy Conservation Glass Co. Ltd	248,548,885	634,014		249,182,899		
Dongguan CSG Architectural Glass Co., Ltd.	199,212,838	477,402		199,690,240		
Dongguan CSG Solar Glass Co., Ltd.	356,240,176	591,366		356,831,542		
Yichang CSG Polysilicon Co., Ltd.	642,412,100	686,166		643,098,266		
Wujiang CSG North-east Architectural Glass Co., Ltd.	255,041,613	307,404		255,349,017		



Hebei CSG Glass Co., Ltd.	267,053,514	419,898		267,473,412		
China Southern Glass (Hong Kong) Limited	86,932,629	259,950		87,192,579		
Wujiang CSG Glass Co., Ltd.	568,749,746	557,910		569,307,656		
Hebei Panel Glass Co., Ltd.	247,051,137	331,926		247,383,063		
Jiangyou CSG Mining Development Co. Ltd.	102,765,652	168,264		102,933,916		
Xianning CSG Glass Co Ltd.	181,910,111	429,570		182,339,681		
Xianning CSG Energy Conservation Glass Co Ltd.	166,299,193	324,960		166,624,153		
Qingyuan CSG Energy Saving New Materials Co.,Ltd	303,861,558	331,620		304,193,178		
Shenzhen CSG Financial Leasing Co., Ltd.	133,500,000			133,500,000		
Shenzhen CSG PV Energy Co., Ltd.	100,362,547	53,016		100,415,563		
Shenzhen Nanbo Display Technology Co., Ltd.	552,517,298	865,764		553,383,062		
Xianning CSG Photoelectric Glass Co., Ltd.	90,471,501	359,226		90,830,727		
Others(i) (ii)	204,335,995	11,110,348		215,446,343		15,000,000
Total	4,979,696,831	18,777,826		4,998,474,657		15,000,000

## (2) Other notes

(i) As at June 30, 2019, 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 220,069,346 (31 December 2018: RMB 211,291,520).

(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
Other business	38,156,685		30,709,068	
Total	38,156,685		30,709,068	

New revenue guidelines have been implemented or not

☐ Yes ☒ No

#### 4. Investment income

Unit: RMB

Item	Occurred in this term	Occurred in previous term
Long-term equity investment accounted by cost method	390,105,325	231,537,606
Total	390,105,325	231,537,606

## XVI. Supplementary Information

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

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of asset (including the write-off that accrued for impairment of assets)	370,969	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	107,755,413	
Other non-operating income and expenditure except for the aforementioned items	-2,626,912	
Profits and losses from external entrusted loans	5,345,912	
Less: Impact on income tax	15,155,936	
Impact on minority shareholders' equity (post-tax)	2,286,489	
Total	93,402,957	--

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 ordinary shareholders of the Company	4.09%	0.12	0.12

Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	3.08%	0.09	0.09
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### 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