

CSG HOLDING CO., LTD.

ANNUAL REPORT 2019



Chairman of the Board:
CHEN LIN

April 2020

Section I Important Notice, Content and Paraphrase

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

Ms. Chen Lin, Chairman of the Board, Mr. Wang Jian, responsible person in charge of accounting and Ms. Wang Wenxin, principal of the financial department (accounting officer) confirm that the Financial Report enclosed in this Annual Report 2019 is true, accurate and complete.

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

The future plans, development strategies and other forward-looking statements mentioned in this report do not constitute a material commitment of the company to investors. Investors and relevant parties should pay attention to investment risks, and understand the differences between plans, forecasts and commitments.

The company has described the risk factors and countermeasures of the company's future development in detail in this report. Please refer to Section IV. Business Discussion and Analysis.

The company shall comply with the disclosure requirements of "Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 13 - Listed Companies Engaged in Non-Metal Building Materials Related Business".

The deliberated and approved plan of profit distribution in the Board Meeting is distributing cash dividend of RMB 0.7 yuan (tax included) for every 10 shares to all shareholders based on 3,106,915,005 shares of the total current share capital. The actual amount of the cash dividend distributed will be determined according to the total share capital on the registration date of the company's implementation of the profit distribution plan.

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

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Paraphrase

| Items | Refers to | Contents |
|--|-----------|---|
| Company, the Company, CSG or the Group | Refers to | CSG Holding Co., Ltd. |
| Foresea Life | Refers to | Foresea Life Insurance Co., Ltd. |
| Ultra-thin electronic glass | Refers to | The electronic glass with thickness between 0.1~1.1mm |
| Second-generation energy-saving glass | Refers to | Double silver coated glass |
| Third-generation energy-saving glass | Refers to | Triple silver coated glass |
| AG glass | Refers to | Anti-glare glass |
| AF glass | Refers to | Anti-fingerprint glass |

Section II Company Profile & Financial Highlights

I. Company information

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

II. Person/Way to contact

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

III. Information disclosure and preparation place

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

IV. Registration changes of the Company

| | |
|-------------------|--|
| Organization code | Unified social credit code: 914403006188385775 |
|-------------------|--|

| | |
|---|------------|
| Changes of main business since listing (if applicable) | No changes |
| Previous changes for controlling shareholders (if applicable) | No changes |

V. Other relevant information

CPA firm engaged by the Company

| | |
|---------------------------|---|
| Name of CPA firm | Asia Pacific (Group) CPAs (special general partnership) |
| Offices add. for CPA firm | Room 301, building 1, No. 9, Che Gong Zhuang Street, Xicheng District, Beijing, China |
| Signing Accountants | Zhao Qingjun, Zhou Xianhong |

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indexes

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

☐ Yes ☒ No

| | 2019 | 2018 | Changes over last year | 2017 |
|--|--------------------|--------------------|-----------------------------------|--------------------|
| Operating income (RMB) | 10,472,028,099 | 10,609,963,011 | -1.30% | 10,879,400,746 |
| Net profit attributable to shareholders of the listed company (RMB) | 536,430,818 | 452,965,935 | 18.43% | 825,388,312 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB) | 374,386,216 | 367,579,835 | 1.85% | 745,373,108 |
| Net cash flow arising from operating activities (RMB) | 2,379,036,320 | 2,130,378,100 | 11.67% | 2,463,446,156 |
| Basic earnings per share (RMB/Share) | 0.17 | 0.15 | 13.33% | 0.30 |
| Diluted earnings per share (RMB/Share) | 0.17 | 0.14 | 21.43% | 0.29 |
| Weighted average ROE (%) | 5.77% | 5.16% | 0.61% | 10.15% |
| | As at 31 Dec. 2019 | As at 31 Dec. 2018 | Changes over the end of last year | As at 31 Dec. 2017 |
| Total assets (RMB) | 18,201,235,959 | 19,114,234,184 | -4.78% | 19,535,002,368 |
| Net assets attributable to shareholders of the listed company (RMB) | 9,495,588,878 | 9,103,154,571 | 4.31% | 8,458,587,873 |

| | |
|---|---------------|
| The total share capital of the company as of the previous trading day of disclosure (share) | 3,106,915,005 |
| Fully diluted earnings per share calculated with latest share equity (RMB/share) | 0.17 |

Note: The total amount of 1,281,158 shares of restricted stocks held by 18 unqualified original incentives, which had been repurchased but not yet cancelled, were deducted from the total share capital.

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

1. Net Income and Equity Differences under CAS and IFRS

☐ Applicable ☒ Not applicable

No such differences for the Report Period.

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

☐ Applicable ☒ Not applicable

No such differences for the Report Period.

3. Reason of the difference between domestic and foreign accounting data

☐ Applicable ☒ Not applicable

VIII. Main financial indexes by quarter

Unit: RMB

| | Q1 | Q2 | Q3 | Q4 |
|--|---------------|---------------|---------------|---------------|
| Operating income | 2,222,721,514 | 2,665,516,064 | 2,773,417,909 | 2,810,372,612 |
| Net profit attributable to shareholders of the listed company | 132,188,324 | 245,154,077 | 166,970,717 | -7,882,300 |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses | 82,573,767 | 201,365,677 | 135,913,151 | -45,466,379 |
| Net cash flow arising from operating activities | 136,317,362 | 631,665,103 | 740,407,335 | 870,646,520 |

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

☐ Yes ☒ No

IX. Items and amounts of extraordinary gains/losses

√Applicable □ Not applicable

Unit: RMB

| Item | 2019 | 2018 | 2017 | Note |
|---|-------------|------------|------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | -909,968 | -454,368 | -1,768,993 | |
| 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) | 184,131,420 | 94,835,539 | 87,875,417 | |
| In addition to the normal business of the company effective hedging related business, tradable financial assets, derivative financial assets, tradable financial liabilities, changes in the fair value of the derivative financial liabilities to generate profits and losses, as well as the disposal of tradable financial assets, derivative financial assets, tradable financial liabilities, derivative financial liabilities and other creditor's rights investment returns. | | | 427,636 | |
| Loss and profit from external entrusted loan | 11,894,654 | 534,591 | | |
| Other non-operating income and expenditure except for the aforementioned items | -1,612,253 | 12,099,680 | 12,076,848 | |
| Less: Impact on income tax | 25,951,263 | 16,483,870 | 16,209,135 | |
| Impact on minority shareholders' equity (post-tax) | 5,507,988 | 5,145,472 | 2,386,569 | |
| Total | 162,044,602 | 85,386,100 | 80,015,204 | -- |

Reason shall be provided for the non-recurring profit and loss items defined by the company according to the definition in the No. 1 of Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public: Non-recurring Profit and Loss and the listed non-recurring profit and loss items defined into recurring profit and loss items.

□ Applicable √ Not applicable

Section III Overview of the Company's Business

I. Main business of the Company in the report period

CSG is a leading domestic brand of energy-saving glass and a renowned brand of solar PV products and display devices. Its products and technologies are very popular at home and abroad. Its main business covers R&D, manufacturing and sales of high quality float glass and architectural glass, solar glass, silicon material, renewable energy products such as PV battery and modules, and new materials and information display products such as ultra-thin electronic glass and display devices. It also provides one-stop services such as project development, construction, operation and maintenance of solar photovoltaic power plants.

Flat glass industry

CSG now has 10 float glass production lines representing the most advanced technology, 2 solar glass production lines and 12 solar glass deep processing production lines in Dongguan, Chengdu, Langfang, Wujiang, Xianning, and also has quartz sand raw material processing and production bases in Sichuan Jiangyou and Guangdong Qingyuan. The annual capacity of various high-grade float glass has reached more than 2.47 million tons and the annual capacity of solar glass has reached over 0.43 million tons. The float glass products cover high-grade float glass and ultra-clear float glass with various thicknesses from 1.3mm to 25mm, and the performance of the products all reach the leading level in China. Solar glass has a capacity of 60 million square per year of deep processing, the products of which cover a variety of thickness of 2-4mm deep processing products.

The glass of CSG are widely used in in high-end architectural curtain walls, decoration and furniture, reflective mirror, automotive windshield, scanner and photocopier transparent panel, home appliance panel, display devices protection and solar energy field. The Company's Products are sold all over the world, and it has established long-term, stable business cooperation with many well-known processing enterprises.

The Company always adheres to innovation, transformation and upgrading, and further enhances the profitability of flat glass industry by the implementation of differentiated competitive strategy. In 2019, the subsidiary Chengdu CSG Co.,Ltd. switched to the production of ultra-white float glass in the second line, further increasing the proportion of CSG glass in the ultra-white float glass market. Through speeding up technology upgrade and reform for solar glass, the productivity of 1.6-2.5mm ultra-thin solar glass for double-glass PV module was further improved. By focusing on developing overseas market, the proportion of overseas revenue continually increased. The exploration of high value-added markets such as ultra-clear glass as well as the expansion of overseas market which further enhanced the market competitiveness of CSG's flat glass.

Architectural glass industry

CSG Group is one of the largest suppliers of high-grade engineering and architectural glass in China.. It has built five energy-saving glass processing bases in Tianjin, Dongguan, Xianning, Wujiang and Chengdu. Now it is preparing to build Zhaoqing energy-saving glass processing base to meet the growing demand of high-grade energy-saving glass. The Company has the world's leading glass deep processing equipment and testing equipment, and its products cover all kinds of engineering and construction glass. The Company's R&D and application of glass coating technology keep space with the world and its technology of high-end product even leads the world. Following the second generation of energy-saving glass products, the Company has successively developed the third generation and multi-function energy-saving glass products with continuous improving energy-saving and heat-preservation effect. The domestic high-end market share of high-quality energy-saving and environment-friendly LOW-E insulating glass far exceeds that of

competitors. At present, the Company's coated insulating glass and coated glass have reached annual capacity of more than 16.00 million square meters and 36.00 million square meters respectively.

The Company's quality management system for engineering and architectural glass has been respectively approved by organizations of UK AOQC and Australia QAS. The product quality which meets the national standards of the US, the UK and Australia enables CSG has an advantage in the international tendering and bidding. Since 1988, CSG's engineers and technicians have been continuously participating in the formulation and compilation of various national standards and industry standards. Various high-quality architectural glass of the Company has been used in many landmark buildings at home and abroad, such as Beijing Capital International Airport, CCTV, Shanghai Oriental Fisherman's Wharf, China Resources Headquarters Building, Shenzhen KingKey100 Building, Shenzhen Upperhills, Shenzhen ShenNine Pioneer Park, Shenzhen Bay Science and Technology Ecological zone, Shenzhen Trade Qianhai Center, Hong Kong-Zhuhai-Macao Bridge Zhuhai port, Donggua International Trade Center, Ping An International Finance Centre, Xiamen Yinglan International Financial Center, Xujiahui Center Hongqiao Road plot T1 office building, Poly Yuzhu Port, Chengdu Tianfu International Airport, Beijing Tongzhou Ocean Center, Huahao center tower project, Yangzhou jin 'ao center, Fosun south headquarters building, Anhui radio and television station new center, Hangzhou International Airport, Hangzhou Europe finance City, Shanghai Qiantan Iron Lion Gate Center, Hangzhou Pinggao Entrepreneurship City, Kunming Henglong Square, Chengdu Zhongjiao International Center, Changsha World Trade Center, Hefei Evergrande Center, Valley of light star block G, Beijing Subsidiary administrative Center, Beijing Daxing International Airport, Qingdao Jiaodong International Airport, Shanxi China Resources Center, Yasha Headquarters Building, Chengdu International Finance Center, Hangzhou Hampton and other more than ten Hilton Hotels, Hong Kong Four Seasons Hotel, Melbourne Airport, Midtown, International Centre of Abu Dhabi, Korea LCT and Metropolis Phase 2B.

Furthermore, the jade glass project has been formally put into production. This project will open up the market of high-end decoration projects for CSG in the future and further strengthen the competitive advantage of CSG in the field of construction engineering.

Solar Energy industry

CSG has entered solar photovoltaic industry since 2005 and is one of enterprises which firstly enter the field in China. After more than ten years of construction, operation and technological upgrading, CSG has built an industry chain in the field, covering high-purity polycrystalline silicon materials, high-efficiency silicon wafer, silicon solar cell and modules, and the design and construction of solar photovoltaic power plants, by which the Company ensures the stable quality and best cost-efficiency of its PV products to customers.

The Company now produces 9,000 ton/year of high purity polycrystalline silicon, 2.2 GW/year of silicon wafer, 1GW/year of solar cell, and 0.4GW/year of modules. The quality and performance indicators of the Company's polysilicon have reached the advanced level in the industry and it has reserved electronic-grade polysilicon production technology. In order to actively respond to the changes in the industry with the continuous introduction of new technologies, the company took the initiative to upgrade the production technology of polysilicon, and sought to move to the regions with low electricity prices. Meanwhile, in order to improve the ability to resist risk of the photovoltaic industry chain, promoting steady balanced development of pv industry chain, the company also completed the wafer and the PERC battery module technical innovation.

To build the whole solar industry chain, the Company established Shenzhen CSG PV Energy Co., Ltd., a wholly-owned subsidiary, in 2015, of which the mainline business is to invest and develop solar power plants and extend CSG's solar energy industry to cover highly value-added terminal applications. The Company strengthened the investment, operation and maintenance of the Company's PV power plants and effectively integrated internal assets, so as to improve its solar energy business competitiveness.

Electronic glass and display industry

In 2019, the Company continued to develop electronic glass business. Four subsidiaries including Hebei Panel, Yichang Photoelectric, Qingyuan New Energy-Saving Materials, Xianning Photoelectric continued to actively upgrade products and market in smart electronic terminals, touch control components, automotive displays, industrial automation control commercial displays, military security, smart home application, and the market share and brand effect of medium, high aluminum electronic glass products of the Company were greatly increased. The three characteristics of abundant product structure, reliable delivery guarantee and strong technical innovation helped the electronic glass business of the Company maintain the dominant position in the fierce market competition.

In the fourth quarter of 2019, the subsidiary Xianning Opto-electronics Co., LTD. 's new generation of high-alumina electronic glass products officially met the requirements for batch delivery. The excellent performance of the new generation of high-alumina electronic glass of CSG can meet the downstream end customers' higher standard requirements for basic materials in the fields of 3D curved surface technology and 5G communication solutions. The successful development of this product marks the further enhancement of the competitiveness of CSG in the high-end application market.

CSG has long been committed to becoming the industry's leading electronic glass material solutions provider. We will continue to develop stronger and more competitive glass protective materials in the field of touch display, develop human-machine interaction interface materials in the fields of smart home, vehicle-mounted display and advanced medical treatment, and develop revolutionary alternative materials in the field of transportation and security.

CSG has been engaged in the field of touch display since 2000. After 20 years of development, its main products and core technologies have covered three businesses including vacuum magnetron sputtering coating, yellow light pattern forming and TP module processing. The Company aims to domestic and foreign high-end customers, and has formed two complete touch industrial chains. The industrial chain of "glass coating → glass yellow light pattern forming → glass touch module processing" is based on electronic glass. The main products include: high and mid-grade ITO conductive glass, glass Sensor/ G-TP module, anti-reflection (AR), anti-fingerprint (AF), semi-anti-reflection and semi-permeable (RT) composite coating products. Another industrial chain of "substrate coating → flexible yellow light pattern processing → flexible touch module processing" is based on flexible optical film. The main products include: high and mid-grade ITO conductive film, ITO copper film, film Sensor/ F-TP module.

In recent years, the Company has successfully realized the business transformation to the field of on-board touch control, established the TAIF16949 quality management system supporting the automobile industry, and continuously increased the investment layout in the on-board segment. The products target at on-board front load market, aiming at high-end brand customers. At present, the products in the on-board field including on-board glass Sensor, on-board multi-functional 3A cover plate, on-board touch module, etc. In 2019, mass production and sales of high-end 3A glass cover plate for on-board center control screen market was realized, and the output and sales of on-board glass Sensor steadily increased, which became a new profit growth point of CSG Display Device. After years of development, CSG Display Device has become a high-quality supplier of electronic application materials, touch control Sensor and TP module in the display touch industry, which can provide customers with a comprehensive one-stop solution of touch screen materials.

II. Major changes in main assets

1. Details of major changes in main assets

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

| | |
|--------------------------|--|
| Intangible assets | There was no significant change in intangible assets in the report period. |
| Construction in progress | Some of subsidiary companies transferred their projects under construction into fixed assets in the report period. |
| Short term Loans | The company has repaid part of the loan in the report period. |
| Long term Loans | Mainly due to some of the medium-term notes reclassification to the one-year maturity of non-current liabilities. |

2. Main overseas assets

☐ Applicable ☒ Not applicable

III. Core Competitiveness Analysis

1. The Company currently has built complete industrial chains in the involved industries, which has complementary advantage. For example in glass industry, the Company has set up the industry chain as quartz sand → high quality float glass → architectural energy-saving glass. With continuous the improvement of technology in the chains, the industrial advantages emerged.
2. The Company possesses a complete industry layout. At present, the Company has established large production bases in East China, West China, South China, North China and Central China, which enables the Company to be closer to the market and serve the market better.
3. The Company has capability of technology innovation and product innovation. It owns independent intellectual property rights of high-end float glass production process. The technology level of ultra-thin electronic glass is in the leading position in China. The Company also keeps its R&D and production of energy-saving glass in line with the world's advanced level.
4. The Company possesses high anti-risk capability. It has established an effective internal control system. Meanwhile, the management and control ability of account receivable and inventory stand in a high level within the industry. CSG's new management team has an international perspective and a more open management philosophy. It aims to achieve the transfer of capacity and continues to expand new business fields along with the national policies of the Belt and Road based on the intensive development of CSG's main business, making the Company be bigger and stronger, so as to be a comprehensive industrial group.

Section IV. Business Discussion and Analysis

I. Introduction

Since 2019, the downward pressure on the global macroeconomy has been increasing. Under the fierce international competition, manufacturing enterprises are facing both severe challenges and great opportunities. China is in the crucial period of transforming the development mode and optimizing the economic structure. With the deepening of the supply-side structural reform, the industrial structure is constantly improved, and the market competitiveness is steadily improved. Under the situation that the glass industry's demand margin is obviously improved while the supply-side constraints continue, the prosperity degree gradually from bottom improves.

In 2019, facing the complex economic situation, "de-leveraging, de-capacity" policy influence, the business cost such as energy, raw materials, security and environmental protection were constantly increasing. Under the strong leadership of the board of directors and management of the Company, all staff of the group were united, progressive, overcame difficulties, focusing on "industrial optimization, technical innovation and structural adjustment, the whole process of systematized lean management". The company determined to enlarge and strengthen the glass industry strategy, coordinated business upgrade of electronic glass and display devices, and Scaled up efforts to implement the solar industry breakthrough. At the same time, the company focuses on the connotative growth combined with denotative development, through the deepening of lean production, strengthening basic management, promoting the factory's management level of informatization and automation and continues to promote scientific research, innovation, product upgrading and technological progress to improve the productivity and market competitiveness of enterprises, to improve the company's sustainable development ability by optimizing product structure and extending the layout of industrial chain. In 2019, the company worked on a glass-based strategy, gave full play to the group's strong foundation in the glass industry, technology and team accumulation, in the complex economic and policy environment we have achieved remarkable business results, in which the glass main business increases steadily, the electronic glass and display device business grows rapidly. Excluding the impairment of assets, the annual net profit was 980 million yuan, up 66% year-on-year. Although the technical upgrading of polysilicon in the photovoltaic industry affected part of the revenue, the company still achieved operating revenue of over 10 billion yuan, reaching 10.472 billion yuan, a decrease of 1.3%. After the asset impairment, the company achieved a net profit of 560 million yuan, up 18.68%, and the parent company's net profit of 536 million yuan, up 18.43%.

(I) Glass industry

In 2019, the overall performance of China's national economy was stable and the quality of development was steadily improved. China's GDP reached 99 trillion yuan, up 6.1% year-on-year. Investment in fixed assets (excluding rural households) reached 55 trillion yuan, up 5.4% year-on-year. Investment in real estate development reached 13.22 trillion yuan, up 9.9% year on year, while investment in infrastructure rose 3.8%. China's cumulative flat glass production grew by 6.6% year-on-year in 2019 (source: National Bureau of Statistics). In 2019, the company's flat glass production increased by 8.09% year on year.

Energy saving glass business is the core business of the group. The five production bases cover Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Chengdu-Chongqing region and Hubei region in central China, and the products are mainly high value-added products. With obvious location advantage, quality advantage and brand advantage, the group is the main high-end industrial glass supplier in the region and in China. The glass industry has obvious periodicity and seasonality. The development of the industry is closely related to the scale of social fixed asset investment and the real estate industry. At the same time, it is affected by the weather and holidays. The sales is usually

slow in the first quarter, when holidays are concentrated and the weather is cold. The main sales mode of flat glass of the company is to produce and sell on demand, cash on the spot, and the sales mode of the architectural glass is to customized the production according to the customer's needs and to settle according to the progress of the project by batch. The company practices the business philosophy of green development and environmental protection, and all the production line fuel uses clean energy natural gas. Compared with other enterprises in the same industry that use fuels such as heavy oil or petroleum coke, the fuel cost of the company is relatively high. In 2019, the price of natural gas rises, and the company's fuel cost increases accordingly.

In 2019, facing adverse market conditions such as rising cost of mineral raw materials and natural gas, the company integrates product application into more subdivided industries through product structure adjustment and innovation, and reduces the purchase cost by adjusting the purchase method, reduce the comprehensive operation cost by digging into the internal potential and improve the quality and efficiency. At the same time, adhere to the product differentiation strategy and other measures, the glass industry against the trend of growth, achieved better business performance. In 2019, the glass industry achieved operating revenue of 7.98 billion yuan, an increase of 526 million yuan or 7.06% year-on-year. Net profit reached 935 million yuan, up 17%.

Flat glass: In 2019, the average price of flat glass declined compared with last year due to factors such as the slowing growth of fixed asset investment and the year-on-year increase of total production capacity in the industry. At the same time, the company needs to deal with increasing environmental requirements, continuous rise of price of raw materials, fuel, the downstream market slowdown in demand, lower market price and severer market competition, relative higher fuel cost, the flat glass business of CSG faces more serious pressure of business. By continuously optimizing the product structure, increasing the market development of new products and new applications, increasing the sales strength of differentiated products and increasing the sales strength of overseas markets, the operating revenue of flat glass is increased compared with the same period last year.

Architectural glass: CSG Group is a leading enterprise in the domestic architectural energy-saving glass industry. The architectural glass business is the brand support of CSG, and has formed the quality, service and continuous R&D capabilities that match the brand. In 2019, facing the pressure of the macro environment, architectural glass has withstood the test of the market through a series of key works such as contract signing and productivity coordination improvement, differentiated product development, intelligent automation upgrading and transformation, contract performance control and cost assessment. In 2019, the company's advantages in engineering glass highlighted, the sales quality and price of major products rose together, and the profit level improved substantially, so as to maintain the leading position in the industry. To further seize the market opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area, to serve better the industry and construction of the bay area, and to strengthen the competitiveness and influence of CSG in south China, the company invested and set up Zhaoqing SG Energy-saving Glass Co., Ltd. in Zhaoqing High-Tech Development Zone at the end of 2019 with the approval of the board of directors to build a high-grade energy-saving glass production line. The construction of this production base strengthens the company's market position in south China and further radiates to overseas markets such as southeast Asia and Australia.

(II) Electronic glass and display industry

Electronic glass and display device industry is an extension of the group's competitiveness and brand influence, and is also another high market share and reputable industry besides the flat glass, architectural glass industry. In 2019, the revenue profit of Electronic glass and display device business continued to rise year-on-year, and the revenue reached 1.044 billion yuan, up 8.76% year-on-year. Net profit reached 208 million yuan, up 46% year-on-year. The technology iteration ability of CSG high alumina ultra-thin glass products is in the leading position in China, and won the "2019 industry leader in touch display" award. Through technological innovation, the CSG Group opens the promotion lines

of downstream application and widen the technological gap with domestic counterparts. In 2019, the company's electronic glass production capacity and industrial influence further enhanced as Xianning Electronic glass production base enters commercial operation. At the same time, the company gradually increased the R&D investment of electronic glass, successfully completed the development of a new generation of high-alumina electronic glass products. The excellent performance of CSG's new generation of high-alumina electronic glass can meet the downstream terminal customers' higher standard requirements for basic materials in the fields of 3D curved surface technology and 5G communication solutions, and the market development is also progressing smoothly. At present, the innovative technology of one kiln and two lines of Qingyuan CSG which is under construction can not only enrich the product portfolio, but also further strengthen the cost barrier of the medium and low end electronic glass products. In the future, the group will continue to promote the upgrading of the electronic glass business, and further improve the group's comprehensive competitiveness in the electronic glass industry.

The display industry continues to improve production efficiency and yield through asset activation, strengthening the technical advantages of large-sized capacitive touch screens such as glass structure and film structure. In the competitive market environment, through the development of high value-added products and high growth customers, the company optimizes product structure and customer structure, and constantly consolidates and improves the market share of products. This year, the volume growth of on-board glass Sensor business realizes accelerated growth, and the market share is greatly increased, which leads to the growth of ITO glass business and significant progress in the development of AG glass and cover plate business, which lays a foundation for the further improvement of the company's competitiveness and market position in the field of on-board touch control.

(III) Solar Energy industry

Affected by the "May 31 new photovoltaic policy" in 2018, major changes have taken place in the overall operating situation of the solar energy industry, relatively heavy assets, old production capacity, and the distribution in the region of high electricity prices, enterprises and production capacity of higher cost has greater operating pressure. So Yichang CSG Polydilicon, a subsidiary of the group, is facing serious challenges in its operation due to its location in a region with high electricity prices and heavy burden of accumulated assets. After nearly a year of research and preparation in 2019, the group determines the company's working methodology of overall breakthrough for solar energy industry. On one hand, the operation burden is reduced by eliminating inefficient assets with outdated process and high energy consumption, idle equipment, at the same time, PV grade polysilicon production capacity is prepared to be moved and integrated to regions with lower electricity prices; on the other hand, quality of products and assets is improved through technological upgrading and transformation, so as to achieve the sound operation of the photovoltaic industry. In 2019, under the impact of the technical transformation of polysilicon production, the overall revenue declined.

In 2019, the solar energy sector achieved an operating revenue of 1.542 billion yuan, a year-on-year decrease of 800 million yuan, after drawing 406 million yuan impairment provision, a net profit of -328 million yuan, a year-on-year decrease of 91 million yuan.

II. Main business analysis

1. Overview

Unit: RMB

| Items | 2019 | 2018 | Range of Change | Analysis of reasons |
|------------------|----------------|----------------|-----------------|---------------------|
| Operating income | 10,472,028,099 | 10,609,963,011 | -1.30% | |

| | | | | |
|--|----------------|----------------|---------|--|
| Operating costs | 7,743,129,614 | 8,120,481,894 | -4.65% | |
| Sales expenses | 389,269,235 | 354,983,459 | 9.66% | |
| Administration expenses | 602,590,650 | 731,215,251 | -17.59% | Mainly due to the reduction of the amortization of equity incentive costs |
| R&D expenses | 366,871,283 | 338,791,891 | 8.29% | |
| Financial expenses | 290,417,403 | 349,403,487 | -16.88% | Mainly due to the decrease in interest expenses |
| Net cash flow arising from operating activities | 2,379,036,320 | 2,130,378,100 | 11.67% | Mainly due to a decrease in cash payments for goods purchased and services received. |
| Net cash flow arising from investment activities | -733,075,474 | -778,807,979 | | |
| Net cash flow arising from financing activities | -2,040,156,870 | -1,588,458,276 | | Mainly due to a reduction in cash received on loans. |

2. Revenue and cost

(1) Constitution of operation revenue

Unit: RMB

| | 2019 | | 2018 | | Increase/decrease y-o-y |
|-------------------------------------|----------------|----------------------------|----------------|----------------------------|-------------------------|
| | Amount | Ratio in operation revenue | Amount | Ratio in operation revenue | |
| Total of operating income | 10,472,028,099 | 100% | 10,609,963,011 | 100% | -1.30% |
| According to industry | | | | | |
| Glass industry | 7,979,780,615 | 76.20% | 7,453,555,124 | 70.25% | 7.06% |
| Solar energy industry | 1,542,206,620 | 14.73% | 2,341,776,474 | 22.07% | -34.14% |
| Electronic glass & Display industry | 1,044,208,070 | 9.97% | 960,075,428 | 9.05% | 8.76% |
| Others | 82,205,712 | 0.79% | 58,900,937 | 0.56% | 39.57% |
| Amount of unutilized | -176,372,918 | -1.69% | -204,344,952 | -1.93% | -13.69% |
| According to product | | | | | |
| Glass products | 7,979,780,615 | 76.20% | 7,453,555,124 | 70.25% | 7.06% |
| Solar energy products | 1,542,206,620 | 14.73% | 2,341,776,474 | 22.07% | -34.14% |
| Electronic glass & Display products | 1,044,208,070 | 9.97% | 960,075,428 | 9.05% | 8.76% |
| Others | 82,205,712 | 0.79% | 58,900,937 | 0.56% | 39.57% |
| Amount of unutilized | -176,372,918 | -1.69% | -204,344,952 | -1.93% | -13.69% |
| According to region | | | | | |
| Mainland China | 9,123,825,213 | 87.13% | 9,151,411,893 | 86.25% | -0.30% |
| Overseas | 1,348,202,886 | 12.87% | 1,458,551,118 | 13.75% | -7.57% |

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

√Applicable □ Not applicable

Unit: RMB

| | Operating revenue | Operating cost | Gross profit ratio | Increase/decrease of operating revenue y-o-y | Increase/decrease of operating cost y-o-y | Increase/decrease of gross profit ratio y-o-y |
|--|-------------------|----------------|--------------------|--|---|---|
| According to industry | | | | | | |
| Glass industry | 7,979,780,615 | 5,792,756,344 | 27.41% | 7.06% | 7.26% | -0.13% |
| Solar energy industry | 1,542,206,620 | 1,319,668,970 | 14.43% | -34.14% | -39.93% | 8.24% |
| Electronic glass and display device industry | 1,044,208,070 | 736,766,160 | 29.44% | 8.76% | 10.32% | -1.00% |
| According to product | | | | | | |
| Glass products | 7,979,780,615 | 5,792,756,344 | 27.41% | 7.06% | 7.26% | -0.13% |
| Solar energy products | 1,542,206,620 | 1,319,668,970 | 14.43% | -34.14% | -39.93% | 8.24% |
| Electronic glass & Display device products | 1,044,208,070 | 736,766,160 | 29.44% | 8.76% | 10.32% | -1.00% |
| According to region | | | | | | |
| Mainland China | 9,123,825,213 | 6,716,284,772 | 26.39% | -0.30% | -3.49% | 2.44% |
| Overseas | 1,348,202,886 | 1,026,844,842 | 23.84% | -7.57% | -11.58% | 3.46% |

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

☐ Applicable ☒ Not applicable

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

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

☒ Yes ☐ No

| Industry | Item | Unit | 2019 | 2018 | Increase/decrease y-o-y (%) |
|---------------------|--------------|-----------------------|--------|--------|-----------------------------|
| Flat glass | Sales volume | 10,000-ton | 292 | 274 | 6.57% |
| | Output | 10,000-ton | 294 | 272 | 8.09% |
| | Inventory | 10,000-ton | 9 | 6 | 50% |
| Architectural glass | Sales volume | 10,000-M ² | 2,879 | 2,471 | 16.51% |
| | Output | 10,000-M ² | 2,916 | 2,500 | 16.64% |
| | Inventory | 10,000-M ² | 114 | 72 | 58.33% |
| Electronic glass | Sales volume | ton | 50,497 | 39,931 | 26.46% |
| | Output | ton | 61,722 | 43,275 | 42.63% |
| | Inventory | ton | 17,478 | 5,742 | 204.39% |
| Polysilicon | Sales volume | ton | | 4,753 | -100% |
| | Output | ton | | 7,692 | -100% |
| | Inventory | ton | | 38 | -100% |
| Silicon wafer | Sales volume | 10,000-piece | 36,782 | 26,346 | 39.61% |
| | Output | 10,000-piece | 36,990 | 25,715 | 43.85% |
| | Inventory | 10,000-piece | 530 | 421 | 25.89% |
| Solar cell | Sales volume | MW | 784 | 836 | -6.22% |
| | Output | MW | 890 | 917 | -2.94% |
| | Inventory | MW | 34 | 19 | 78.95% |

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

√Applicable □ Not applicable

1. Flat glass: The increase in inventories was mainly due to the increase in production by about 220,000 tons, which increased the inventory level.
2. Architectural glass: Through internal technical transformation and equipment capacity improvement, the company has greatly increased production quantity, resulting in an increase in inventory level
3. Electronic glass: Large-scale output of new production line was largely ahead of time schedule planned, while the market promotion is still inprogress.
4. Polysilicon: Polysilicon is under upgrading this year, no production and sales, last year left a small amount of inventory was left mainly for internal consumption.
5. Silicon wafer: The increase of production and sales is mainly due to the recovery of production capacity after technical transformation, and the corresponding increase of production and sales.
6. Solar cell: The battery production is based on sales, inventory increase is mainly affected by the customers' pick-up time.

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

□ Applicable √ Not applicable

(5) Constitution of operation cost

Main business cost structure

Industry classification

Unit: RMB

| Industry | Item | 2019 | | 2018 | | Increase/decrease y-o-y |
|-------------------------------------|---------------------|---------------|-------------------------|---------------|-------------------------|-------------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Glass industry | Raw material | 4,558,141,051 | 78.98% | 4,250,705,139 | 79.08% | 7.23% |
| | Labor wages | 560,930,664 | 9.72% | 506,600,563 | 9.42% | 10.72% |
| | Manufacturing costs | 652,239,422 | 11.30% | 618,127,419 | 11.50% | 5.52% |
| Electronic glass & Display industry | Raw material | 482,812,079 | 65.57% | 437,942,818 | 65.75% | 10.25% |
| | Labor wages | 97,520,763 | 13.24% | 86,736,184 | 13.02% | 12.43% |
| | Manufacturing costs | 155,953,711 | 21.18% | 141,429,615 | 21.23% | 10.27% |
| Solar energy industry | Raw material | 1,058,197,056 | 82.17% | 1,758,180,912 | 80.99% | -39.81% |
| | Labor wages | 109,535,172 | 8.51% | 164,144,458 | 7.56% | -33.27% |
| | Manufacturing costs | 120,118,749 | 9.33% | 248,666,105 | 11.45% | -51.69% |

Product classification

Unit: RMB

| Product | Item | 2019 | | 2018 | | Increase/decrease y-o-y |
|----------------|---------------------|---------------|-------------------------|---------------|-------------------------|-------------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Glass products | Raw material | 4,558,141,051 | 78.98% | 4,250,705,139 | 79.08% | 7.23% |
| | Labor wages | 560,930,664 | 9.72% | 506,600,563 | 9.42% | 10.72% |
| | Manufacturing costs | 652,239,422 | 11.30% | 618,127,419 | 11.50% | 5.52% |

| | | | | | | |
|-------------------------------------|---------------------|---------------|--------|---------------|--------|---------|
| Electronic glass & Display products | Raw material | 482,812,079 | 65.57% | 437,942,818 | 65.75% | 10.25% |
| | Labor wages | 97,520,763 | 13.24% | 86,736,184 | 13.02% | 12.43% |
| | Manufacturing costs | 155,953,711 | 21.18% | 141,429,615 | 21.23% | 10.27% |
| Solar energy products | Raw material | 1,058,197,056 | 82.17% | 1,758,180,912 | 80.99% | -39.81% |
| | Labor wages | 109,535,172 | 8.51% | 164,144,458 | 7.56% | -33.27% |
| | Manufacturing costs | 120,118,749 | 9.33% | 248,666,105 | 11.45% | -51.69% |

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

☒ Yes ☐ No

On March 21, 2019, the group established Zhuhai CSG Commercial Factoring Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 50 million yuan, and the group holds 100% of its shares.

On May 14, 2019, the group established Zhuhai Hengqin New District CSG Glass Industrial Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 6 million yuan, and the group holds 100% of its shares.

On June 11, 2019, the group established Shenzhen CSG Supply Chain Management Service Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 6 million yuan, and the group holds 100% of its shares.

On July 24, 2019, the group set up Shenzhen CSG technology Co., Ltd. As of December 31, 2019, the group has not invested, and the group holds 100% of its shares.

On August 6, 2019, the group set up Shenzhen CSG Hongkai Zone Operation Management co., Ltd. As of December 31, 2019, the group has not invested, and the group holds 100% of its shares.

On December 13, 2019, the group established Zhaoqing CSG Energy Conservation Glass Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 12.801 million yuan, and the group holds 100% of its shares.

On December 13, 2019, the group established Zhaoqing CSG Automotive Glass Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 12.601 million yuan, and the group holds 100% of its shares.

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

☐ Applicable ☒ Not applicable

(8) Major customers and major suppliers

Major customers of the Company

| | |
|--|---------------|
| Total sales to the top five customers (RMB) | 1,202,772,383 |
| Proportion in total annual sales volume for top five customers | 11.49% |

Information of the top five customers of the Company

| Serial | Name of customer | Sales volume (RMB) | Proportion in total annual sales |
|--------|------------------|--------------------|----------------------------------|
| 1 | Customer A | 316,259,150 | 3.02% |
| 2 | Customer B | 272,944,477 | 2.61% |
| 3 | Customer C | 271,514,859 | 2.59% |
| 4 | Customer D | 181,983,867 | 1.74% |
| 5 | Customer E | 160,070,030 | 1.53% |
| Total | | 1,202,772,383 | 11.49% |

Other statement of main customers

☐ Applicable ☒ Not applicable

Major suppliers of the Company

| | |
|--|---------------|
| Total purchase amount from the top five suppliers (RMB) | 1,282,467,323 |
| Proportion in total annual purchase amount from the top five suppliers | 16.19% |

Information of the top five suppliers of the Company

| Serial | Name of supplier | Purchase amount (RMB) | Proportion in total annual purchase |
|--------|------------------|-----------------------|-------------------------------------|
| 1 | Supplier A | 411,556,056 | 5.19% |
| 2 | Supplier B | 245,300,324 | 3.10% |
| 3 | Supplier C | 240,702,000 | 3.04% |
| 4 | Supplier D | 220,491,470 | 2.78% |
| 5 | Supplier E | 164,417,473 | 2.08% |
| Total | | 1,282,467,323 | 16.19% |

Other statement of major suppliers

☐ Applicable ☒ Not applicable

3. Expenses

Unit: RMB

| | 2019 | 2018 | Increase/decrease y-o-y | Note of major changes |
|--------------------|-------------|-------------|-------------------------|---|
| Sales expense | 389,269,235 | 354,983,459 | 9.66% | |
| Management expense | 602,590,650 | 731,215,251 | -17.59% | Mainly due to the reduction of the amortization of equity incentive costs |
| Financial expense | 290,417,403 | 349,403,487 | -16.88% | Mainly due to the reduction of interest costs. |
| R&D expenses | 366,871,283 | 338,791,891 | 8.29% | |

4. R&D expenses

☒ Applicable ☐ Not applicable

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

R&D investment of the Company

| | 2019 | 2018 | Ratio of change |
|---|-------------|-------------|-----------------|
| Number of R & D personnel (person) | 184 | 146 | 26.03% |
| Ratio of number of R&D personnel | 1.76% | 1.35% | 0.41% |
| Amount of R & D investment (RMB) | 440,884,641 | 381,711,070 | 15.50% |
| Ratio of the R&D investment to the operating income | 4.21% | 3.60% | 0.61% |
| Amount of the capitalized R&D investment (RMB) | 74,013,358 | 42,963,845 | 72.27% |
| Ratio of the capitalized R&D investment to the R&D investment | 16.79% | 11.26% | 5.53% |

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Mainly due to increased investment in research and development.

5. Cash flow

Unit: RMB

| Item | 2019 | 2018 | Increase/decrease y-o-y |
|---|----------------|----------------|-------------------------|
| Subtotal of cash in-flow from operation activity | 11,798,483,075 | 12,086,856,666 | -2.39% |
| Subtotal of cash out-flow from operation activity | 9,419,446,755 | 9,956,478,566 | -5.39% |
| Net cash flow from operation activity | 2,379,036,320 | 2,130,378,100 | 11.67% |
| Subtotal of cash in-flow from investment activity | 37,590,251 | 35,327,557 | 6.4% |
| Subtotal of cash out-flow from investment activity | 770,665,725 | 814,135,536 | -5.34% |
| Net cash flow from investment activity | -733,075,474 | -778,807,979 | |
| Subtotal of cash in-flow from financing activity | 3,471,013,352 | 4,672,680,876 | -25.72% |
| Subtotal of cash out-flow from financing activity | 5,511,170,222 | 6,261,139,152 | -11.98% |
| Net cash flow from financing activity (i) | -2,040,156,870 | -1,588,458,276 | |
| Net increased amount of cash and cash equivalent (ii) | -393,291,883 | -234,626,252 | |

Relevant data year-on-year major changes in the main influencing factors

√Applicable □ Not applicable

(i) It is mainly caused by the decrease of cash from loans received.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of the year during the report period

Applicable √ Not applicable

III. Analysis of the non-core business

√Applicable □ Not applicable

Unit: RMB

| | Amount | Ratio in total profit | Note for the reason | Sustainable or not |
|------------------------|-------------|-----------------------|--|--------------------|
| Asset impairment | 463,324,685 | 69.98% | Mainly due to the provision of long-term asset impairment | No |
| Non-operating income | 7,827,834 | 1.18% | Mainly due to the claims and unpayable amounts | No |
| Non-operating expense | 9,440,087 | 1.43% | Mainly due to donations and compensation expenses | No |
| Other Income | 184,131,420 | 27.81% | Mainly due to the department of government subsidies amortization | No |
| Credit impairment loss | 20,114,033 | 3.04% | Mainly due to the provision of accounts receivable and other receivables impairment losses | No |

IV. Assets and liabilities

1. Major changes of assets and liabilities composition

Unit: RMB

| | As at 31 Dec. 2019 | | As at 31 Dec. 2018 | | Change of proportion | Notes of major changes |
|--|--------------------|----------------------------|--------------------|----------------------------|----------------------|---|
| | Amount | Proportion in total assets | Amount | Proportion in total assets | | |
| Monetary funds | 1,986,980,418 | 10.92% | 2,226,447,720 | 11.65% | -0.73% | |
| Advance payment | 78,196,027 | 0.43% | 91,176,675 | 0.48% | -0.05% | |
| Notes receivable | 297,023,380 | 1.63% | 719,375,448 | 3.76% | -2.13% | Mainly due to the classification of some notes into receivables financing according to the new financial instrument standards |
| Accounts receivable | 649,681,177 | 3.57% | 592,233,312 | 3.10% | 0.47% | |
| Receivables financing | 258,296,826 | 1.42% | 0 | | 1.42% | Mainly due to the classification of some notes into receivables financing according to the new financial instrument standards |
| Inventory | 812,321,690 | 4.46% | 600,139,750 | 3.14% | 1.32% | Mainly due to the increase of goods in stock |
| Holding assets for sale | | 0.00% | 45,983,520 | 0.24% | -0.24% | Mainly due to the disposal of assets held for sale |
| Fix assets | 9,783,037,301 | 53.75% | 9,930,843,775 | 51.96% | 1.79% | |
| Construction in process | 1,902,140,035 | 10.45% | 2,559,179,442 | 13.39% | -2.94% | |
| Deferred income tax assets | 205,792,587 | 1.13% | 139,529,518 | 0.73% | 0.40% | Mainly due to long-term asset impairment and tax losses increase |
| Other Non-Current Assets | 120,399,893 | 0.66% | 56,825,934 | 0.30% | 0.36% | Mainly due to the advance payment of engineering equipment and the increase of land assignment fee |
| Short-term loans | 2,240,969,137 | 12.31% | 2,922,679,590 | 15.29% | -2.98% | |
| Notes payable | 232,063,968 | 1.27% | 105,150,000 | 0.55% | 0.72% | Mainly due to the increase of new bills issued by some subsidiaries |
| Prepayments | 292,803,811 | 1.61% | 206,631,008 | 1.08% | 0.53% | Mainly due to the increase of advance payment of some subsidiaries |
| Other payables | 351,374,775 | 1.93% | 552,751,187 | 2.89% | -0.96% | Mainly due to the repurchase of restricted stock |
| Current portion of non-current liabilities | 1,712,456,928 | 9.41% | 819,448,742 | 4.29% | 5.12% | Mainly due to the reclassification of medium-term notes to non-current liabilities due within one year |
| Long-term loans | 1,320,225,000 | 7.25% | 2,315,700,000 | 12.12% | -4.87% | Mainly due to the reclassification of medium-term notes to non-current liabilities due within one year |
| Long term Accounts payable | 87,240,529 | 0.48% | 529,910,796 | 2.77% | -2.29% | Mainly due to the repayment of financial leasing |
| Deferred income tax liabilities | 30,197,657 | 0.17% | 22,118,840 | 0.12% | 0.05% | |
| Capital reserve | 683,219,358 | 3.75% | 1,095,339,421 | 5.73% | -1.98% | Mainly due to the repurchase of |

| | | | | | | |
|----------------------------|-------------|-------|-------------|-------|--------|---|
| | | | | | | restricted stock and Capital reserve into share capital |
| Treasury stock | 118,066,397 | 0.65% | 277,180,983 | 1.45% | -0.80% | Mainly due to the repurchase of restricted stock |
| Other Comprehensive Income | 6,565,864 | 0.04% | 5,080,234 | 0.03% | 0.01% | Mainly due to foreign currency statement translation difference changes |
| Special Reserve | 11,102,921 | 0.06% | 6,068,600 | 0.03% | 0.03% | |

2. Assets and liabilities measured at fair value

☐ Applicable ☒ Not applicable

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

| Item | Limited amount | Limited reason |
|----------------|----------------|--|
| Monetary funds | 155,145,388 | Limited margin transfer |
| Fix assets | 1,373,926,910 | Limited of Leveraged lease and Mortgage loan |
| Total | 1,529,072,298 | |

V. Investment

1. Overall situation

☒ Applicable ☐ Not applicable

| Investment in the report period (RMB) | Investment in the same period of last year (RMB) | Changes |
|---------------------------------------|---|---------|
| 770,665,725 | 814,135,536 | -5.34% |

2. The major equity investment obtained in the report period

☐ Applicable ☒ Not applicable

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

√Applicable □ Not applicable

Unit: RMB 0,000

| Project | Way of investment | Fixed asset investment or not | Industry involved | Amount invested in the report period | Accumulative amount actually invested by the end of the report period | Source of funds | Progress of project (ongoing projects) | Expected return | Accumulative revenue achieved by the end of the report period | Reasons for not achieving the planned progress and the expected return | Date of disclosure (if applicable) | Index of disclosure (if applicable) |
|---|-------------------|-------------------------------|------------------------|--------------------------------------|---|---|---|-----------------|---|--|------------------------------------|-------------------------------------|
| Qingyuan CSG ultra-clear electronic glass and ultra-clear special glass product line construction project | Self-built | Yes | Manufacturing industry | 8,839 | 8,873 | Own funds and loans from financial institutions | The company plans to adopt the advanced design concept of one kiln and two lines, and build a production line of one kiln and two lines (80 + 620T/D) for ultra-white electronics and ultra-white special glass with a daily melting capacity of 700 tons in Qingyuan CSG. The first-line plan is designed according to 80T/D, will produce 0.33-1.1mm, considering the production capacity of 2mm, mainly producing electronic display toughened protective glass for mobile phones. The second-line plan is designed according to 620T/D, with two series of 3-4mm and 15-22mm for differentiated management, and 5-12mm as the transition, mainly producing AG anti-dazzle, "exposure glass" for scanning and copier, TCO for thin film battery, battery front plate and back plate and other ultra-clear special glass. | 16,420 | | Project construction period, no profits temporarily. | December 22, 2018 | Notice number: 2018-072 |
| Zhaoqing | Self-built | Yes | Manufa | | | | The CSG Group plans to invest in | 7,000 | | Project construction | Decembe | Notice |

| | | | | | | | | | | | | |
|---|------------|-----|------------------------|-------|-------|---|---|--------|--|--|-------------------|-------------------------|
| CSG high-grade Energy Conservation glass production line project | | | cturing industry | | | | the construction of energy-saving glass production project in Zhaoqing from 2019 to 2021. After the production, the company will produce 2.5 million square meters of energy-saving insulating glass and 3.5 million square meters of coated energy-saving products with an estimated annual profit of 70 million yuan. At present, the land auction has been completed and an investment agreement has been signed with the local government. | | | period, no profits temporarily. | r 13, 2019 | number: 2019-077 |
| Zhaoqing CSG high-grade automotive glass production line project | Self-built | Yes | Manufacturing industry | | | | The CSG group plans to invest in the construction of high-end automotive glass production line in Zhaoqing from 2019 to 2021, with an annual production capacity of 800,000 sets and an estimated annual profit of 58 million yuan. The land auction has been completed and an investment agreement has been signed with the local government. | 5,800 | | Project construction period, no profits temporarily. | December 13, 2019 | Notice number: 2019-077 |
| Yichang CSG Polysilicon wafer capacity technology upgrade project | Self-built | Yes | Manufacturing industry | 2,087 | 2,682 | Own funds and loans from financial institutions | It is planned to fully implement the diamond wire cutting technology in the production of silicon wafers, introduce the casting single crystal technology and the wet black silicon technology, and upgrade the production capacity of the 1.3 GW polysilicon wafers in the early stage of the company to form an annual output of about 1.2 GW of cast single wafer. And annual production capacity of about 0.8GW wet black silicon wafer. The main part of the project was | 12,599 | | Project revenue cannot be accounted for separately. | July 28, 2018 | Notice number: 2018-040 |

| | | | | | | | | | | | | |
|--|------------|-----|------------------------|-------|--------|---|---|--------|-------|--|---|---|
| | | | | | | | completed in June 2019. | | | | | |
| Yichang CSG to add a 1GW silicon wafer project | Self-built | Yes | Manufacturing industry | 2,742 | 49,367 | Own funds and loans from financial institutions | CSG has added 1GW capacity of high-efficient polysilicon wafer to achieve 2.2GW capacity of polysilicon wafer. Construction of the first 500 MW capacity of polysilicon wafer was completed in September 2017. The company has decided to stop the implementation of the other 500MW capacity project. For details, please refer to the announcement of the resolution of the extraordinary meeting of the 8th Board of Directors in 2018. | 14,853 | | Project revenue cannot be accounted for separately. The company has decided to stop the implementation of the post-500MW capacity project. For details, please refer to the announcement of the resolution of the extraordinary meeting of the 8th Board of Directors in 2018. | January 06, 2016, April 16, 2016, July 28, 2018 | Notice number: 2016-001、2016-018、2018-040 |
| PV power plant investment | Self-built | Yes | Manufacturing industry | | 26,214 | Own funds and loans from financial institutions | CSG plans to construct PV power plants within two years from 2016 to 2017. Its wholly-owned subsidiary, Shenzhen CSG PV Energy Co., Ltd. will self-build 200MW and the remaining 140MW will be constructed by CSG with Qibin Group. During 2016 to 2018, Shenzhen CSG PV developed and built a total of 78MW of photovoltaic power stations, including 58MW of distributed photovoltaic power plants and 20MW of centralized photovoltaic power plants. | 4,344 | 4,840 | Part of the project has been completed. | January 22, 2016 | Notice number: 2016-006 |
| Hebei Panel Glass project of medium-alumina ultra-thin electronic glass product line project | Self-built | Yes | Manufacturing industry | | 1,266 | Own funds | Plan to establish a production line for medium-alumina ultra-thin electronic glass in Hebei Panel Glass, using clean natural gas as the fuel, and produce 0.33mm~1.1mm medium-alumina ultra-thin glass with float process. The project was still in preparation. | | | | October 29, 2014 | Notice number: 2014-030 |

| | | | | | | | | | | | | |
|--|------------|-----|------------------------|--|--|--|--|--|--|----------------------------|-------------------|-------------------------|
| Yichang CSG 700MW crystalline silicon solar cell project | Self-built | Yes | Manufacturing industry | | | | Plan to build a crystalline silicon solar cell production line with annual capacity of 700MW. The project was suspended and further investment will be based on actual industry situations. | | | The project was suspended. | December 25, 2010 | Notice number: 2010-046 |
| Expanding 500MW solar module project in Dongguan | Self-built | Yes | Manufacturing industry | | | | Plan to expand the solar module production line with annual capacity of 500MW. The project was suspended and further investment will be based on actual industry situations. | | | The project was suspended. | January 19, 2011 | Notice number: 2011-003 |
| Relocation and equipment upgrading of the solar module production line in Dongguan | Self-built | Yes | Manufacturing industry | | | | The Company plans to construct a module workshop in Xianning, Hubei Province, of which the final capacity will be 500MW. By relocation of some of the module equipment of its subsidiary, Dongguan CSG PV Technology Co., Ltd. and purchase of some new equipment, the first stage capacity of the Xianning workshop will be 300MW and, afterwards, it will be expanded to 500MW as required upon the market conditions. | | | The project was suspended. | April 16, 2016 | Notice number: 2016-018 |
| Dongguan CSG Solar online self-cleaning coated glass project | Self-built | Yes | Manufacturing industry | | | | The Company plans to construct an online self-cleaning coated glass line in Dongguan. | | | The project was suspended. | April 16, 2016 | Notice number: 2016-018 |
| Malaysia-invested architectural glass plant | Self-built | Yes | Manufacturing industry | | | | The Company plans to construct an architectural glass plant in Negeri Sembilan, Malaysia. The Phase I capacity of the newly-built plant will be 1,200,000 square meters insulating glass and 1,000,000 square meters single | | | The project was suspended. | April 16, 2016 | Notice number: 2016-018 |

| | | | | | | | | | | | | |
|-------|----|----|----|--------|--------|----|---------------|--------|-------|----|----|----|
| | | | | | | | coated glass. | | | | | |
| Total | -- | -- | -- | 13,668 | 88,402 | -- | -- | 61,016 | 4,840 | -- | -- | -- |

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

☐ Applicable ☒ Not applicable

There was no securities investment during the report period.

(2) Derivative investment

☐ Applicable ☒ Not applicable

There was no derivative investment during the report period.

5. Use of raised fund

☐ Applicable ☒ Not applicable

There was no such case during the report period.

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

☐ Applicable ☒ Not applicable

No significant assets were sold during the reporting period.

2. Sales of major equity

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

Unit: RMB

| Name of company | Type | Main business | Registered capital | Total assets | Net Assets | Operating revenue | Operating profit | Net profit |
|------------------------------|------------|--|--------------------|---------------|---------------|-------------------|------------------|-------------|
| Chengdu CSG Glass Co., Ltd. | Subsidiary | Development, manufacture and sales of various special glass | 260 million | 840,990,586 | 546,952,652 | 1,072,080,856 | 163,678,120 | 139,431,223 |
| Xianning CSG Glass Co., Ltd. | Subsidiary | Development and manufacture and sales of various special glass | 235 million | 831,429,012 | 520,961,544 | 755,511,589 | 63,493,804 | 56,278,817 |
| Hebei CSG Glass Co., Ltd. | Subsidiary | Manufacture and sales of various special glass | USD 48.06million | 892,359,312 | 572,521,445 | 860,035,303 | 104,091,097 | 91,827,037 |
| Wujiang CSG Glass Co., Ltd. | Subsidiary | Manufacture and sales of various special glass | 565.04 million | 1,609,229,008 | 1,071,447,837 | 1,594,296,478 | 187,711,190 | 160,859,577 |

| | | | | | | | | |
|--|------------|---|------------------|---------------|-------------|---------------|--------------|--------------|
| Dongguan CSG Architectural Glass Co., Ltd. | Subsidiary | Deep processing of glass | 240 million | 883,788,994 | 457,634,645 | 1,059,498,565 | 118,732,812 | 104,071,914 |
| Wujiang CSG East China Architectural Glass Co., Ltd. | Subsidiary | Deep processing of glass | 320 million | 828,653,010 | 554,182,040 | 807,053,981 | 96,625,751 | 83,821,772 |
| Qingyuan CSG New energy saving materials Co., Ltd. | Subsidiary | Manufacture and sales of Ultra-thin electronic glass | 300 million | 851,692,264 | 405,052,746 | 191,876,250 | 111,244,925 | 96,443,283 |
| Tianjin CSG Energy Conservation Glass Co., Ltd. | Subsidiary | Development, producing and sales of energy-saving special glass | 336 million | 821,352,824 | 566,873,379 | 803,383,317 | 103,070,427 | 88,116,551 |
| Dongguan CSG Solar Glass Co., Ltd. | Subsidiary | Manufacture and sales of Solar-Energy Glass products | 480 million | 1,199,438,692 | 805,281,425 | 1,132,495,470 | 141,508,441 | 122,877,781 |
| Yichang CSG Polysilicon Co., Ltd. | Subsidiary | Manufacture and sales of high purity silicon material products | 1,467.98 million | 3,222,544,630 | 760,173,819 | 709,922,429 | -454,839,506 | -384,967,337 |
| Shenzhen Nanbo Display Technology Co., Ltd. | Subsidiary | Manufacture and sales of display device products | 143 million | 1,641,871,421 | 910,859,748 | 561,179,168 | 76,920,794 | 65,100,006 |

Particular about subsidiaries obtained or disposed in report period

☐ Applicable ☒ Not applicable

Description of the major holding company:

Affected by factors such as the slowdown in growth of fixed asset investment and the year-on-year increase in the total production capacity of the industry, the sales price of float glass products of subsidiaries of the flat glass sector has declined to a certain extent this year, and the company also needs to face the pressure of increasing environmental protection requirements and continuously rising price of raw material and fuel, resulting in a year-on-year decline in profits. However, through the promotion of overseas orders and the increase of the share of double glass module, the solar glass support for the benefits of flat glass. In 2019, the advantages of engineering glass will be further reflected. The sales volume and price of major products have risen and the profit level has been greatly improved, so as to maintain the leading position in the industry. Yichang silicon material of the Group's solar energy sector was affected by polysilicon technical transformation, and its operating revenue decreased year on year. At the same time, in order to reduce the business burden of the enterprise and promote the sound development in the medium and long term, the Group upholding prudent and steady operating principle, some of the silicon materials of backward technology, high energy consumption of the assets of 397 million yuan impairment provision. Electronic glass and display device business is the company's high-growth business segment, the revenue and profit continue to climb year on year.

VIII. Structured main bodies controlled by the Company

☐ Applicable ☒ Not applicable

IX. Outlook of the Company's future development

1. Tendency of development of the industries the Company involved

Flat glass industry

In recent years, under the policy of supply-side reform and other policies, the supply and demand structure of the industry has been optimized, and the state of overcapacity has been improved. A series of policies implemented by the state, such as industrial guidance

catalogue, air pollution treatment, elimination of non-standard products and production control, have effectively controlled industrial capacity, improved product quality and accelerated the elimination of backward production capacity. In 2019, although the demand of the real estate sector is slightly weak, the expansion of the use of flat glass and the improvement of the production capacity structure, the overall market supply and demand structure is stable.

In 2020, the regulation policy of real estate is expected to be considerably relaxed, the data of completed real estate area is expected to be revised, and the market supply and demand environment is expected to be stable. With the continued implementation of the policy of further capacity reduction and the possible implementation of stricter emission standards, it is expected that the overall market supply and demand relationship will shift to a tight supply situation, and the industry leader will benefit significantly. The improvement of the industry and market structure will benefit the CSG Group which has been paying attention to environmental protection and has complete environmental protection facilities.

Architectural glass industry

Along with the domestic economic entered the "new normal", float glass price floating at high position, CSG Group through promotion on brand, quality, service, market for high-value, Vigorously develop the equipment automation and informatization, reduce the cost of the industry and increase the profit. Market position of CSG further consolidated, looking for opportunities in the crisis, CSG architectural glass performance increase dramatically in 2019.

In the long run, Low-E energy-saving glass is the key of construction energy-saving whose penetration has been over 80% in developed countries but less than 15% in China so far. In recent years, Chinese government has expanded more efforts to promote green building. In 2016, NDRC and Urban-Rural Development jointly issued the action plan for cities to adapt to climate change, which proposed that by 2020, China will build 30 pilot cities to adapting to climate change, the governance of pilot cities upon climate change adapting is significantly improved, and the proportion of green buildings to be promoted will reach 50%. It can be seen that the future market has broad prospects.

Solar energy industry

In 2019, subsidies for new domestic power stations almost completely decline, and the photovoltaic industry is undergoing a transformation from policy orientation to market orientation. On the power generation side, the on-grid electricity price of photovoltaic is gradually integrated with that of thermal power. Photovoltaic power generation will face the competition of thermal power, and the cost of photovoltaic KWH determines the destiny of the industry. The upstream of the manufacturing end of the industrial chain has high energy consumption, which will be concentrated in the western region with low electricity price. The downstream of the manufacturing end of the industrial chain will focus on single crystal products with high photoelectric conversion efficiency. The competition in the industry is still fierce, only the enterprises that have the advantage of cost or technology can survive.

Electronic glass and display industry

Consumer electronics industry has entered the inventory market, market resources continue to concentrate on the head position manufacturers. From the macro point of view, the slowdown in industry growth will intensify the competition situation in the upstream of the industrial chain in a short term, and the enterprise differentiation in the downstream of the industrial chain will lead to the evolution of the competition pattern of the upstream material manufacturers. But at the same time, it also provides the market opportunity for the upstream material manufacturers with the leading technology innovation ability and benign operation to develop fast.

With the popularization and development of 5G technology, smart home, smart car, smart factory, advanced medical treatment and other application segments are about to enter a high-speed development stage, which will provide a broader market prospect and market space for the electronic glass industry.

According to the display industry forecast given by the authoritative research institute Touch Display Research, the global touch display industry revenue will continue to grow in the next decade, but the growth rate will gradually slow down. In this process, OLED display technology, as the most competitive display technology, will gradually occupy the

dominant position in the market, especially flexible OLED technology, for its foldable character, becoming a revolutionary technology upgrade. The peripheral material to flexible OLED is expected to occupy a larger market advantage in the future. In addition, in the field of automotive electronics, with the rapid development of new energy vehicles, as well as the development of technologies such as vehicle networking technology, and multi-screen, large-screen or curved surfaces technology integrated automotive touch-control display products will become the standard layout for automobiles, which has a broad market prospect.

2. Company Development Strategy

2020 is the 36th anniversary of the establishment of CSG Group. The company will firmly stick to the strategy of working hard to make the glass industry, as our main business, bigger and stronger, and coordinate the development of electronic glass and display device business, pursue high-quality development, adhering to the purpose of "business first", continue to enhance the company's core competitiveness and strengthen strategic support for the development of the industry, to promote the key cultivation business to grow into a strategic support industry as soon as possible, occupy the commanding heights of the industry, strengthen the advantage of raw material resources, improve technology and R&D strength, expand market share and market influence, integrate industrial resources, comprehensively improve the credibility and influence of the CSG brand, plan the layout of the CSG industry from a global and macro perspective, and build the CSG Group into a transnational enterprise group with international influence related to the upstream and downstream of the glass industry.

3. Business Plan of 2020

- ① Improve functions of headquarters, realize general planning management, promote centralized purchase, lean management, exploit its potential and increase efficiency, and ensure the completion of operation construction objective of the Company in 2020;
- ② Improve R&D capacity, build up R&D talent team, and maintain the technical innovation advantage of the Company in the industry;
- ③ Create open, equal, fair and initiative enterprise culture, and strengthen core cohesion of the Company;
- ④ Strengthen talent management, establish remuneration incentive system related to the performance, improve company incentive mechanism, strengthen employee training, and introduce high-quality talents;
- ⑤ Rationally plan asset-liability ratio level and ensure financial risk under control;
- ⑥ Vigorously conduct potential exploiting and efficiency increase activity, realize energy saving and consumption reduction, and strengthen competitiveness of the Company;
- ⑦ Improve information level of the Company, and create the world first-class information management platform.

4. Capital Requirements, Plan and Sources

In 2020, the company's budget capital expenditure was about 3.191 billion yuan, mainly for the construction of light weight and high-transmittance solar pane project ultra-clean electronic glass and ultra-clean special glass production line, photovoltaic power station investment, PV cellar production line technology upgrade, engineering glass workshop automation and production capacity expansion. The sources of funds are mainly funds raised by private offering self-owned funds, loans from financial institutions, and public issuance of corporate bonds.

5. Risks and Countermeasures

In 2020, in the face of "New Normal" of domestic economic development and the task of building a "Hundred years CSG", the Company will face the following risks and challenges:

① In 2019, under the efforts of the Board of Directors and all employees, daily operation of the Company entered normal and stable operation. However, the Company still faces the risk of insufficient reserves of senior talents for the long-term development of the Company. To cope with aforesaid risks, the Company will take the following measures:

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

② The glass industry continue to face the pressure of downward demand and horizontal competition, the solar photovoltaic industry will encounter the risk of product price fluctuations and a shrinking market share for polysilicon products. The electronic glass and display devices industries will encounter the risk of overcapacity and falling demand. To cope with aforesaid risks, the Company will take the following measures:

- A. In the flat glass industry, the Company will expand the industrial scale and enhance the competitiveness of the industry through continuous lean management, differentiated management and product structure optimization.
- B. In the architectural glass industry, the Company will strengthen the development of high-end market and overseas market, actively develop traditional residence market, and at the same time, maintain the industrial advantageous position of the Company through market-oriented extension of industrial chain;
- C. In the solar photovoltaic industry, the company will continue to improve product quality, accelerate the introduction of new technologies and research and development, improve production efficiency, reduce unit costs. In order to cope with the declining market share of polysilicon products, the company has completed the PERC battery technology upgrade of 400MW and made preparations for the PERC battery technology upgrade on the whole line to adapt to the market changes. In addition, the company's polysilicon chip business, relying on the leading edge of technology, will continue to maintain long-term strategic cooperation with industry leaders, to ensure that in the severe market situation still occupy a stable market share.
- D. In electronic glass and display devices industry, the Company will strengthen research and development of new technology, new product, maintain its technical leading advantage in the industry, and rapidly develop terminal market and improve industrial profitability.

③ Since 2019, the market price of glass and solar energy PV industrial has fluctuated greatly. At the same time, the prices of upstream raw materials have fluctuated, and the current rising labor costs have brought risks to the Company's operations.

To cope with risk, the Company will take the following measures:

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

④ Risk of fluctuation of foreign exchange rate: At present, nearly 12.98% of the sales revenue of the Company is from overseas, in the future, the Company will further develop overseas business, and therefore, the fluctuation of exchange rate will bring certain risk to the operation of the Company. To cope with such risk, the Company will settle exchange in time and use safe and effective risk evading instrument and product to relatively lock exchange rate and reduce the risk caused by fluctuation of exchange rate.

X. Reception of research, communication and interview

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

☐Applicable ☒Not applicable

The Company did not receive any research, communication or interviews during the report period.

Section V. Important Events

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

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

√ Applicable □ Not applicable

The profit distribution plan for 2018 was approved by Annual General Shareholders' Meeting of 2018 held on 9 May 2019 which distributed distributing cash dividend of RMB 0.5 (tax included) for every 10 shares to all shareholders and transferred capital reserve into capital with 1 shares for every 10 shares to all shareholders. Notice of the distribution was published on China Securities Journal, Securities Times, Shanghai Securities News and Hong Kong Commercial Daily on 20 June 2019, and the profit has been distributed.

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

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

Statement on profit distribution plan in 2019: Based on the current total share capital of 3,106,915,005 shares, distributing cash dividend of RMB 0.7 (tax included) for every 10 shares to all shareholders.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2018: based on 2,825,632,877 shares of the total share capital while dividends will be distributed, distributing cash dividend of RMB 0.5 (tax included) for every 10 shares to all shareholders. Meanwhile the Company will transfer capital reserve into capital with 1 share for every 10 shares to all shareholders based on 2,825,632,877 shares of the total share capital.

Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2017: based on 2,484,147,547 shares of the total share capital while dividends will be distributed, distributing cash dividend of RMB 0.5 (tax included) for every 10 shares to all shareholders. Meanwhile the Company will transfer capital reserve into capital with 1.5 shares for every 10 shares to all shareholders based on 2,484,147,547 shares of the total share capital.

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

Unit: RMB

| Year for bonus shares | Amount for cash dividend (tax included) | Net profit attributable to shareholders of listed company in consolidation statement for bonus year | Ratio in net profit attributable to shareholders of listed company contained in consolidation statement | Cash dividend by other ways (such as repurchase shares) | Proportion for cash dividends in other ways to the net profit attributable to ordinary shareholders of listed companies | Amount for cash dividend (including other ways) | Net profit attributable to shareholders of listed company in consolidation statement for bonus year (including other |
|-----------------------|---|---|---|---|---|---|--|
|-----------------------|---|---|---|---|---|---|--|

| | | | | | in the consolidated statements | | ways) |
|------|-------------|-------------|--------|---|--------------------------------------|-------------|--------|
| 2019 | 217,484,050 | 536,430,818 | 40.54% | 0 | 0% | 217,484,050 | 40.54% |
| 2018 | 141,281,644 | 452,965,935 | 31.61% | | 0% | 141,281,644 | 31.19% |
| 2017 | 124,207,377 | 825,388,312 | 15.05% | | 0% | 124,207,377 | 15.05% |

Note:

1. The actual amount of the cash dividend distributed and capital reserve transferred will be determined according to the total share capital on the capital reserved registration date for profit distribution implementation.

2. Dividends from equity incentives for restricted shares are distributed by the Company itself.

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

| | |
|--|---------------|
| Distributing bonus shares for every 10 shares (share) | 0 |
| Distributing cash dividend for every 10 shares (tax included) (RMB) | 0.7 |
| Shares added for every 10-share base (Share) | 0 |
| Equity base for distribution preplan (share) | 3,106,915,005 |
| Total amount distribution in cash (RMB) (tax included) | 217,484,050 |
| Cash dividend amount in other ways (such as repurchasing shares) (RMB) | 0 |
| Total cash dividends (including other methods) (RMB) | 217,484,050 |
| Profit available for distribution (RMB) | 496,479,354 |
| Cash distributing accounted for the proportion of the total amount of profit distribution (including other methods) | 100% |
| Particular about cash dividend in the period | |
| If the Company's development stage is not easy to distinguish but there are major capital expenditure arrangements, when the profit is distributed, the proportion of cash dividends in this profit distribution should be at least 20%. | |
| Details of proposal of profit distribution preplan or share conversion from capital public reserve | |
| According to the financial report audited by Asia Pacific (Group) CPAs (special general partnership), the net profit attributable to equity holders of the Company in consolidated statement was RMB 536,430,818 in 2019. | |
| Since cash dividend distribution bases on the distributable profit of parent company, the Company took 10% of the net profit as stationary surplus reserve which was RMB 21,945,911 based on the net profit RMB 219,459,106 of parent company statement 2019. The allocation for Shareholders in 2019 was RMB 496,479,354. | |
| The deliberated and approved plan of profit distribution in the Board Meeting is distributing cash dividend of RMB 0.7 yuan (tax included) for every 10 shares to all shareholders based on 3,106,915,005 shares of the total currently share capital., and the total amount distribution is RMB 217,484,050 (including tax)The actual amount of the cash dividend distributed will be determined according to the total share capital on the registration date of the Company's implementation of the profit distribution plan. | |
| The actual amount of the cash dividend distributed and capital reserve transferred will be determined according to the total share capital on the capital reserved registration date for profit distribution implementation when the company implements the profit distribution plan. The above profit distribution proposal must be submitted to the 2019 Annual General Meeting of shareholders. | |

III. Implementation of commitment

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

√Applicable □ Not applicable

| Commitments | Promisee | Type of commitments | Content of commitments | Commitment date | Commitment term | Implementation |
|---|--|---|---|-----------------|-------------------------------------|---|
| Commitments for Share Merger Reform | The original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. | Commitment of share reduction | The Company has implemented share merger reform in May 2006. Till June 2009, the share of the original non-tradable shareholders which holding over 5% total shares of the Company had all released. Therein, the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. Shenzhen International made commitment that it would strictly carry out related regulations of Securities Law, Administration of the Takeover of Listed Companies Procedures and Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions issued by CSRC during implementing share decreasingly-held plan and take information disclosure responsibility timely. | 2006-5-22 | N/A | By the end of the report period, the above shareholders of the Company had strictly carried out their promises. |
| Commitments in report of acquisition or equity change | Foresea Life Insurance Co., Ltd, Shenzhen Jushenghua Co., Ltd. and Chengtai | Commitment of horizontal competition, affiliate | Foresea Life Insurance Co., Ltd., Shenzhen Jushenghua Co., Ltd. and Chengtai Group Co., Ltd. issued detailed report of | 2015-6-29 | During the period when Foresea Life | By the end of the report period, the above shareholders |

| | | | | | | |
|---|--------------------|------------------------------------|---|------------|--|---|
| | Group Co., Ltd. | Transaction and capital occupation | equity change on 29 June 2015, in which, they undertook to keep independent from CSG in aspects of personnel, assets, finance, organization set-up and business as long as Foresea Life Insurance remained the largest shareholder of CSG. Meanwhile, they made commitment on regularizing related transaction and avoiding industry competition. | | remains the largest shareholder of the Company | of the Company had strictly carried out their promises. |
| Commitments in assets reorganization | Not applicable | | | | | |
| Commitments in initial public offering or re-financing | Not applicable | | | | | |
| Equity incentive commitment | The listed company | | CSG has promised not to provide loans and other forms of financial assistance for restricted stocks for the incentive targets under this plan, including providing guarantees for their loans. | 2017-10-10 | During the implementation of the equity incentive plan | The commitment is in normal performance . |
| Other commitments for medium and small shareholders | Not applicable | | | | | |
| Completed on time(Yes/No) | Yes | | | | | |
| If the commitments is not fulfilled on time, explain the reasons and the next work plan | Not applicable | | | | | |

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

☐ Applicable ☒ Not applicable

Commitments made by shareholders and counterparties in reporting annual operating performance of a company

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

| The content and reason of accounting policy change | Approval procedures |
|--|---|
| According to the Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019(Cai Kuai [2019] No. 6) issued by the ministry of finance in April 2019, adjust the format of financial statement. | The 9th meeting of the 8th board of directors held on August 21, 2019 considered and approved the motion on accounting policy change. |
| According to the Ministry of Finance issued CAS 22 – Recognition and Measurement of Financial Instruments, CAS 23 – Transfer of Financial Assets, AS 24 – Hedging and CAS 37 – Presentation of Financial Instruments (collectively, “New Financial Instruments Standards”) in 2017, domestic listed companies are required to start the implementation from January 1, 2019. | The 9th meeting of the 8th board of directors held on August 21, 2019 considered and approved the motion on accounting policy change. |
| According to the requirements specified in the Notice on Distributing Revised No. 7 of Accounting Standards for Business Enterprises - Exchange of Non-monetary Assets (CK [2019] No. 8), the exchange of non-monetary assets occurring in the period from Jan. 1, 2019 to the implementation date has been adjusted according to the revised standards, while that occurring before Jan. 1, 2019 shall not be retroactively adjusted. The above changes in accounting policy don't have a significant impact on the company's financial statements in 2019. | The 11th meeting of the 8th board of directors held on April 28, 2020 considered and approved the motion on accounting policy change. |
| According to the requirements specified in the Notice on Distributing Revised No. 12 of Accounting Standards for Business Enterprises - Debt Restructuring (CK [2019] No. 9), the debt restructuring occurring in the period from Jan. 1, 2019 to the implementation date has been adjusted according to the revised standards, while that occurring before Jan. 1, 2019 shall not be retroactively adjusted. That aforesaid changes in accounting policy don't have a significant impact on the company's financial statements in 2019. | The 11th meeting of the 8th board of directors held on April 28, 2020 considered and approved the motion on accounting policy change. |

The financial statements or the year ended 31 December 2019 are prepared in accordance with the above standards and circular. The revised Standard for Exchange of Non-monetary Assets and Standard for Debt Restructuring have no significant impact on the Group and the Company, other amendments' impact on the Group's and the Company's financial statements are set out as follows.

(a) General enterprise financial statement format modification

(i) The impact on the consolidated balance sheet for 2018 is shown below:

| Consolidate balance sheet items | Before the adjustment | After the adjustment |
|--|-----------------------|----------------------|
| Notes receivable and accounts receivable | 1,311,608,760 | |
| Notes receivable | | 719,375,448 |
| accounts receivable | | 592,233,312 |
| Notes payable and accounts payable | 1,315,009,263 | |
| Notes payable | | 105,150,000 |
| accounts payable | | 1,209,859,263 |

(ii) The impact on the company's balance sheet for 2018 is shown below:

| Company balance sheet items | Before adjusted | After adjusted |
|--|-----------------|----------------|
| Notes receivable and accounts receivable | | |
| Notes receivable | | |
| Accounts receivable | | |
| Notes payable and accounts payable | 261,024 | |
| Notes payable | | |
| Accounts payable | | 261,024 |

(b) Financial instruments

According to the new financial instruments standard, the Group and the company adjusted the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings in 2019 and other relevant line items in the financial statements. The comparative financial statements have not been restated. On December 31, 2018 and January 1, 2019, neither the consolidation nor the company was designated as a financial asset measured at fair value through profit or loss.

(i) On January 1, 2019, the financial assets in the consolidated financial statements were classified and measured according to the original financial instrument standards and the new financial instrument standards:

| Original financial instrument criteria | | | New guidelines for financial instruments | | |
|--|----------------------|-------------------------|--|---|-------------------------|
| Item | Measurement category | Consolidated book value | Item | Measurement category | Consolidated book value |
| Cash and Bank Balances | Amortized cost | 2,226,447,720 | Cash and Bank Balances | Amortized cost | 2,226,447,720 |
| Notes receivable | Amortized cost | 719,375,448 | Receivables financing | It is measured at fair value and its changes are included in other comprehensive income | 304,180,556 |
| | | | Notes receivable | Amortized cost | 415,194,892 |
| Accounts receivable | Amortized cost | 592,233,312 | Accounts receivable | Amortized cost | 592,233,312 |
| Other receivables | Amortized cost | 207,424,295 | Other receivables | Amortized cost | 207,424,295 |

(ii) On January 1, 2019, the financial assets in the company's financial statements were classified and measured according to the provisions of the original financial instrument standards and the new financial instrument standards:

| Original financial instrument criteria | | | New guidelines for financial instruments | | |
|--|----------------------|---------------------------|--|----------------------|---------------------------|
| Item | Measurement category | Book value of the company | Item | Measurement category | Book value of the company |
| Cash and Bank | Amortized | 1,700,726,151 | Cash and Bank | Amortized cost | 1,700,726,151 |

| | | | | | |
|---------------------|----------------|---------------|---------------------|----------------|---------------|
| Balances | cost | | Balances | | |
| Notes receivable | Amortized cost | | Notes receivable | Amortized cost | |
| Accounts receivable | Amortized cost | | Accounts receivable | Amortized cost | |
| Other receivables | Amortized cost | 2,912,516,245 | Other receivables | Amortized cost | 2,912,516,245 |

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

☐ Applicable ☒ Not applicable

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

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

☒ Applicable ☐ Not applicable

On March 21, 2019, the group established Zhuhai CSG Commercial Factoring Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 50 million yuan, and the group holds 100% of its shares.

On May 14, 2019, the group established Zhuhai Hengqin New District CSG Glass Industrial Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 6 million yuan, and the group holds 100% of its shares.

On June 11, 2019, the group established Shenzhen CSG Supply Chain Management Service Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 6 million yuan, and the group holds 100% of its shares.

On July 24, 2019, the group set up Shenzhen CSG technology Co., Ltd. As of December 31, 2019, the group has not invested, and the group holds 100% of its shares.

On August 6, 2019, the group set up Shenzhen CSG Hongkai Zone Operation Management co., Ltd. As of December 31, 2019, the group has not invested, and the group holds 100% of its shares.

On December 13, 2019, the group established Zhaoqing CSG Energy Conservation Glass Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 12.801 million yuan, and the group holds 100% of its shares.

On December 13, 2019, the group established Zhaoqing CSG Automotive Glass Co., Ltd. As of December 31, 2019, the group has made a monetary capital contribution of 12.601 million yuan, and the group holds 100% of its shares.

IX. Engaging and dismissing of CPA firm

CPA firm engaged

| | |
|---|---|
| Name of domestic CPA firm | Asia Pacific (Group) CPAs (special general partnership) |
| Remuneration for domestic CPA firm (RMB 0,000) | 300 |
| Continuous life of auditing service for domestic CPA firm | 2 |
| Name of domestic CPA | Zhao Qingjun, Zhou Xianhong |
| Continuous life of auditing service for domestic CPA | 2 |

Whether changed accounting firms in this period or not

☐ Yes ☒ No

Whether changed the accounting firm during the audit period or not

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

Asia Pacific (Group) CPAs (special general partnership) was engaged as audit institute of internal control for the Company in the report period, and contracted charges was RMB 0.30 million (not including traveling and accommodation expenses).

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

☐ Applicable ☒ Not applicable

XI. Issues related to bankruptcy and reorganization

☐ Applicable ☒ Not applicable

XII. Significant lawsuits and arbitrations

☐ Applicable ☒ Not applicable

XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

On Oct. 10, 2017, the 3rd Meeting of the 8th Board of Directors of the Company deliberated and approved 2017 Restricted A- shares Incentive Plan of CSG Holding Co., Ltd (Draft)and its summary, the Management Method of the Implementation and Review of 2017 Restricted A-shares Incentive Plan of CSG Holding Co., Ltd and the Resolution on Applying the General Meeting of Shareholders to Authorize the Board of Directors to Deal With the Related Matters on the Company's 2017 Restricted A-shares Incentive Plan. The above contents are detailed in the Announcement of the Resolution on the Third Meeting of the Eighth Session of the Board of Directors published in www.cninfo.com.cn Oct.11, 2017. (Announcement No.: 2017-063). The Company's independent directors issued independent opinions on the issues involved with restricted A- shares incentive plan.

On Oct. 26, 2017, the Company convened the 5th Extraordinary General Meeting in 2017, which deliberated and approved the above three proposals. The Resolution on Adjusting the Object and Quantity Granted of 2017 Restricted A-share Incentive Plan and the Resolution on Firstly Granted Restricted Shares to the Object of 2017 Restricted A-share were deliberated and approved on the 21stprovisional meeting of the eighth session board of directors convened on Dec.

11th, 2017. It determined to grant 97,511,654 restricted shares to 454 objects on Dec. 11, 2017, with price at RMB4.28/share. The reserved restricted shares was 17,046,869 shares.

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

On July 20, 2018, the company held the extraordinary meeting of the 8th Board of Directors and the extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the Proposal on Repurchase and Restricting Partially Restricted Stocks of Restricted Stock Incentive Plan. The independent director of the company issued a consent. Opinions; and on August 6, 2018, the second extraordinary shareholders meeting in 2018 was approved. As of September 10, 2018, the company has completed the cancellation procedures for the above-mentioned restricted stocks at China Securities Depository and Clearing Co., Ltd. Shenzhen Branch. The total number of shares of the company was changed from 2,856,769,678 shares to 2,853,450,621 shares.

On September 13, 2018, the company convened an extraordinary meeting of the 8th Board of Directors and an ad hoc meeting of the 8th Board of Supervisors, and reviewed and approved the Proposal on Granting Restricted Stocks to the 2017 Restricted Stock Incentive Plan for Incentive Objects. The grant date for the second reserved restricted stock was September 13, 2018, and the company agreed to grant a total of 9,826,580 reserved restricted stocks to 75 incentive targets at a price of 3.68 yuan/share. The independent directors have issued independent opinions on the above proposal, and the company's supervisory board has once again verified the list of incentive targets on the grant date. The shares granted have been registered in the Shenzhen Branch of China Registration and Clearing Corporation and listed on September 28, 2018. The total number of shares of the company has changed from 2,853,450,621 shares to 2,863,277,201 shares.

On December 12, 2018, the company held the extraordinary meeting of the 8th Board of Directors and the extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the Proposal on Repurchase and Restricting Partially Restricted Stocks of Restricted Stock Incentive Plan, and reviewed and agreed to repurchase and write-off of a total of 436,719 shares of all restricted shares granted but not yet unrestricted to sale by 8 unqualified original incentive subjects, The total number of all restricted stocks that were not eligible for the original incentives but not yet released was limited to 436,719 shares, and was approved by the third extraordinary general meeting of 2018 on December 28, 2018. As of June 18, 2019, the company has completed the cancellation procedures of the above-mentioned restricted stock at the Shenzhen branch of China securities registration and clearing co., Ltd.,

For details, please refer to the notice on completion of cancellation of partial restricted stock repurchase (notice No.: 2019-040) published on Juchao information website (www.cninfo.com.cn) on June 19, 2019.

On December 12, 2018, the company held the extraordinary meeting of the 8th Board of Directors and the 8th Extraordinary Meeting of the Board of Supervisors, and reviewed and approved the first release of the company's 2017 A-share restricted stock incentive plan for the first time. In addition to the fact that the eight incentive targets have not been able to lift the restrictions on sales, the total number of incentives for the conditions for lifting the restrictions is 431, and the number of restricted stocks that can be unlocked is 43,353,050 shares, accounting for the current company. 1.51% of the total share capital. The board of supervisors, independent directors, and law firms issued separate opinions. The date of the restricted stock release date is December 21, 2018.

On April 16, 2019, the company held the 8th meeting of the 8th board of directors, and the 8th meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”, and the “Proposal concerning the repurchase and cancellation of restricted shares failing to meet the second-term unlocking condition”. The meetings approved to repurchase and cancel a total of 3,473,329 restricted shares which have already been granted to and held by 14 recipients who are unqualified for the “incentive plan”, and repurchase and cancel a total of 33,734,276 restricted

shares failing to meet the second-term unlocking condition from 483 “incentive” recipients. Independent directors agreed with this and it was approved by the annual general meeting of shareholders on May 9 2019. By June 18 2019, the cancellations procedure of above restricted shares has been accomplished.

For details, please refer to the notice on completion of cancellation of partial restricted stock repurchase (notice No.: 2019-040) published on Juchao information website (www.cninfo.com.cn) on June 19, 2019.

On September 16, 2019, the company convened an extraordinary meeting of the 8th Board of Directors and an extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the “Proposal on Repurchase and Cancellation part of Restricted Stocks of Restricted Stock Incentive Plan”, considered and agreed to repurchase and cancel the total of 1,281,158 shares of 18 incentive targets of all restricted stocks that have been granted to them who have not been eligible with stock still under restriction. It was approved by the forth extraordinary general meeting of shareholders in 2019, held on October 10, 2019. The above restricted stock has not completed the cancellation procedures at the end of the reporting period.

On September 16, 2019, the company convened an extraordinary meeting of the 8th Board of Directors and an extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the "proposal on the achievement of condition for unlock the first restriction period stock of the 2017 a-share restricted stock incentive plan of the company". Except the 3 incentive objects who have left the company and are no longer qualified for unlocking, the total number of incentive objects who meet the condition for unlocking is 71, and the number of restricted shares that can be unlocked is 3,909,350, accounting for 0.13% of the total share capital of the company at present. The board of supervisors, the independent directors and the law firm have expressed their express consents. The unlock date/ listing date of these restricted stock is September 25, 2019.

XVI. Major related transaction

1. Related transaction with routine operation concerned

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

3. Related transaction with jointly external investment concerned

☐ Applicable ☒ Not applicable

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

4. Credits and liabilities with related parties

☐ Applicable ☒ Not applicable

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

5. Other major related transaction

☐ Applicable ☒ Not applicable

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

XVII. Significant contracts and their implementation

1. Trusteeship, contracting and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No trusteeship for the Company in the report period.

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in the report period.

(3) Leasing

☐ Applicable ☒ Not applicable

No leasing for the Company in the report period.

2. Major guarantees

☒ Applicable ☐ Not applicable

(1) Guarantee

Unit: RMB 0,000

| Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries) | | | | | | | | |
|--|--------------------------------------|-----------------|--|------------------------|---------------------------|----------------|--------------------------------|---|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| Guarantee of the Company for the subsidiaries | | | | | | | | |
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit | Guarantee type | Guarantee term | Complete implementation or not | Guarantee for related party (Yes or no) |
| Yichang Nanbo Photoelectric Glass Co., Ltd. | 2017-5-22 | 5,472 | 2017-5-26 | 5,400 | Joint liability guarantee | 3 years | Yes | No |
| Yichang CSG Polysilicon Co., Ltd. | 2017-5-22 | 20,000 | 2017-6-22 | 9,928 | Joint liability guarantee | 3 years | Yes | No |

| | | | | | | | | |
|--|------------|--------|------------|--------|---------------------------|---------|-----|----|
| Yichang CSG Polysilicon Co., Ltd. | 2017-6-23 | 20,000 | 2017-6-28 | 11,214 | Joint liability guarantee | 3 years | Yes | No |
| Chengdu CSG Glass Co., Ltd. | 2017-5-22 | 5,000 | 2018-4-2 | 4,500 | Joint liability guarantee | 1 year | Yes | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2017-5-2 | 5,000 | 2018-4-8 | 2,700 | Joint liability guarantee | 1 year | Yes | No |
| Chengdu CSG Glass Co., Ltd. | 2018-7-21 | 6,500 | 2018-8-10 | 4,500 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG Glass Co., Ltd. | 2018-3-9 | 10,000 | 2018-6-28 | 3,500 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG Glass Co., Ltd. | 2018-8-11 | 5,000 | 2018-11-30 | 2,551 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2017-11-27 | 3,200 | 2018-6-14 | 3,000 | Joint liability guarantee | 1 year | Yes | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2018-4-9 | 5,000 | 2018-6-22 | 2,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2018-7-21 | 11,200 | 2018-8-10 | 2,145 | Joint liability guarantee | 1 year | Yes | No |
| Xianning CSG Glass Co., Ltd. | 2018-7-21 | 5,000 | 2018-8-10 | 3,000 | Joint liability guarantee | 1 year | Yes | No |
| Hebei Panel Glass Co., Ltd. | 2018-7-21 | 1,500 | 2018-8-10 | 637 | Joint liability guarantee | 1 year | Yes | No |
| China Southern Glass (Hong Kong) Ltd. | 2018-6-19 | 6,572 | 2018-8-10 | 6,572 | Joint liability guarantee | 1 year | Yes | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2018-7-21 | 6,500 | 2018-8-10 | 2,000 | Joint liability guarantee | 1 year | Yes | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2018-7-21 | 6,500 | 2018-8-10 | 1,932 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2018-8-11 | 10,000 | 2018-9-11 | 6,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2018-7-21 | 15,000 | 2018-8-10 | 3,200 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2018-7-21 | 15,000 | 2018-8-10 | 693 | Joint liability guarantee | 1 year | Yes | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2018-7-21 | 2,000 | 2018-8-10 | 2,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG | 2018-7-21 | 11,200 | 2018-8-10 | 2,144 | Joint | 1 year | Yes | No |

| | | | | | | | | |
|--|-----------|--------|------------|--------|---------------------------|---------|-----|----|
| Architectural Glass Co., Ltd. | | | | | liability guarantee | | | |
| Wujiang CSG Glass Co., Ltd. | 2018-8-11 | 5,000 | 2018-11-30 | 2,551 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG Glass Co., Ltd. | 2018-8-11 | 10,000 | 2018-9-11 | 5,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2018-7-21 | 11,200 | 2018-8-10 | 4,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2018-8-11 | 18,000 | 2018-10-30 | 18,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG PV-tech Co., Ltd. | 2018-7-3 | 20,000 | 2018-8-21 | 5,527 | Joint liability guarantee | 1 year | Yes | No |
| Qingyuan CSG New Energy-Saving Materials Co., Ltd. | 2018-8-11 | 4,330 | 2018-10-23 | 500 | Joint liability guarantee | 1 year | Yes | No |
| Yichang Nanbo Photoelectric Glass Co., Ltd. | 2018-7-21 | 1,520 | 2018-9-26 | 100 | Joint liability guarantee | 1 year | Yes | No |
| Xianning CSG Energy-Saving Glass Co., Ltd. | 2018-7-21 | 5,000 | 2018-8-10 | 3,000 | Joint liability guarantee | 1 year | Yes | No |
| Chengdu CSG Glass Co., Ltd. | 2018-7-21 | 6,500 | 2018-8-10 | 2,800 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG Glass Co., Ltd. | 2018-8-11 | 5,000 | 2018-11-30 | 852 | Joint liability guarantee | 1 year | Yes | No |
| Hebei Panel Glass Co., Ltd. | 2018-7-21 | 1,500 | 2018-8-10 | 698 | Joint liability guarantee | 1 year | Yes | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2018-7-21 | 6,500 | 2018-8-10 | 2,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2018-7-21 | 15,000 | 2018-8-10 | 2,300 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-2-20 | 5,000 | 2019-6-28 | 439 | Joint liability guarantee | 1 year | Yes | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2018-7-21 | 2,000 | 2018-8-10 | 2,000 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-2-26 | 8,000 | 2019-5-29 | 500 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-2-12 | 5,000 | 2019-5-29 | 500 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-3-19 | 3,200 | 2019-6-27 | 500 | Joint liability guarantee | 1 year | Yes | No |
| Dongguan CSG Solar Glass Co., | 2017-8-7 | 20,000 | 2017-9-22 | 13,500 | Joint liability | 3 years | Yes | No |

| | | | | | | | | |
|---|------------|--------|------------|--------|---------------------------|---------|-----|----|
| Ltd. | | | | | guarantee | | | |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2017-9-25 | 15,000 | 2017-9-30 | 6,250 | Joint liability guarantee | 3 years | Yes | No |
| Chengdu CSG Glass Co.,Ltd. | 2017-9-25 | 20,000 | 2017-9-28 | 9,616 | Joint liability guarantee | 3 years | Yes | No |
| Zhanjiang CSG New Energy Co., Ltd. | 2017-7-31 | 9,000 | 2017-9-26 | 5,738 | Joint liability guarantee | 3 years | No | No |
| Xianning CSG Photovoltaic Glass Co., Ltd. | 2016-8-16 | 30,000 | 2017-1-3 | 17,732 | Joint liability guarantee | 3 years | No | No |
| Xianning CSG Photovoltaic Glass Co., Ltd. | 2016-8-16 | 30,000 | 2017-1-3 | 410 | Joint liability guarantee | 3 years | No | No |
| Xianning CSG Photovoltaic Glass Co., Ltd. | 2017-8-1 | 20,000 | 2017-9-7 | 8,100 | Joint liability guarantee | 3 years | No | No |
| Yichang Nanbo Photoelectric Glass Co., Ltd. | 2017-5-22 | 10,032 | 2017-5-26 | 1,788 | Joint liability guarantee | 3 years | No | No |
| Dongguan CSG PV-tech Co., Ltd. | 2017-11-27 | 20,000 | 2017-12-20 | 7,020 | Joint liability guarantee | 3 years | No | No |
| Dongguan CSG PV-tech Co., Ltd. | 2019-8-23 | 30,500 | 2019-12-17 | 1,165 | Joint liability guarantee | 2 years | No | No |
| Xianning CSG Glass Co., Ltd. | 2017-9-16 | 25,000 | 2017-9-18 | 6,250 | Joint liability guarantee | 3 years | No | No |
| Xianning CSG Glass Co., Ltd. | 2019-2-26 | 4,000 | 2019-4-1 | 2,000 | Joint liability guarantee | 1 year | No | No |
| Hebei CSG Glass Co., Ltd. | 2017-10-10 | 20,000 | 2017-10-30 | 7,019 | Joint liability guarantee | 3 years | No | No |
| Chengdu CSG Glass Co.,Ltd. | 2019-6-1 | 5,000 | 2019-7-30 | 2,000 | Joint liability guarantee | 1 year | No | No |
| Chengdu CSG Glass Co.,Ltd. | 2019-2-26 | 8,000 | 2019-5-24 | 2,500 | Joint liability guarantee | 1 year | No | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2019-6-1 | 5,000 | 2019-7-23 | 1,500 | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG Glass Co., Ltd. | 2017-8-28 | 30,000 | 2017-9-13 | 10,000 | Joint liability guarantee | 3 years | No | No |
| Wujiang CSG Glass Co., Ltd. | 2019-9-18 | 10,000 | 2019-10-12 | 1,000 | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG Glass Co., Ltd. | 2019-9-18 | 10,000 | 2019-10-12 | 700 | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG Glass Co., Ltd. | 2019-11-20 | 10,000 | 2019-12-23 | 1,724 | Joint liability | 1 year | No | No |

| | | | | | | | | |
|--|------------|--------|------------|--------|---------------------------|---------|-----|----|
| | | | | | guarantee | | | |
| Wujiang CSG Glass Co., Ltd. | 2019-2-26 | 8,000 | 2019-5-31 | 1,500 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2019-4-17 | 6,000 | 2019-8-30 | 1,000 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2018-10-9 | 18,000 | 2018-10-30 | 18,000 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG Glass Co., Ltd. | 2019-10-28 | 6,000 | 2019-10-28 | | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2019-11-21 | 10,000 | 2019-12-23 | | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2018-8-11 | 10,000 | 2019-9-11 | 6,000 | Joint liability guarantee | 1 year | Yes | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2019-9-18 | 10,000 | 2019-12-23 | 4,434 | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2018-10-9 | 10,000 | 2019-3-28 | 2,000 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-10-28 | 5,000 | 2019-12-17 | | Joint liability guarantee | 2 years | No | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-2-26 | 8,000 | 2019-5-29 | 500 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-2-12 | 72,288 | 2019-5-29 | 2,000 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-1-22 | 4,500 | 2019-11-29 | 1,000 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-3-19 | 3,200 | 2019-6-27 | 1,000 | Joint liability guarantee | 1 year | No | No |
| Qingyuan CSG New Energy-Saving Materials Co., Ltd. | 2019-12-10 | 4,330 | 2019-12-10 | | Joint liability guarantee | 1 year | No | No |
| Qingyuan CSG New Energy-Saving Materials Co., Ltd. | 2019-3-12 | 20,000 | 2019-3-19 | 15,294 | Joint liability guarantee | 3 years | No | No |
| Yichang CSG Display Co., Ltd. | 2018-12-13 | 5,000 | 2019-12-10 | 663 | Joint liability guarantee | 1 year | No | No |
| Yichang CSG Display Co., Ltd. | 2019-2-26 | 2,432 | 2019-10-31 | 300 | Joint liability guarantee | 1 year | No | No |
| China Southern Glass (Hong Kong) Ltd. | 2019-6-1 | 48,000 | 2019-10-16 | 6,718 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG Architectural Glass Co., Ltd. | 2019-8-23 | | 2019-9-17 | 4,000 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG | 2019-8-23 | | 2019-9-17 | 1,131 | Joint | 1 year | No | No |

| | | | | | | | |
|---|-----------|-----------|--|---------------------------|--------|-----|---------|
| Architectural Glass Co., Ltd. | | | | liability guarantee | | | |
| Dongguan CSG Solar Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 1,500 | Joint liability guarantee | 1 year | No | No |
| Dongguan CSG PV-tech Co., Ltd. | 2019-8-23 | 2019-9-17 | 5,500 | Joint liability guarantee | 1 year | No | No |
| Qingyuan CSG New Energy-Saving Materials Co., Ltd. | 2019-8-23 | 2019-9-17 | 4,200 | Joint liability guarantee | 1 year | No | No |
| Hebei Panel Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 450 | Joint liability guarantee | 1 year | Yes | No |
| Hebei Panel Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 249 | Joint liability guarantee | 1 year | Yes | No |
| Chengdu CSG Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 800 | Joint liability guarantee | 1 year | No | No |
| Sichuan CSG Energy Conservation Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 4,147 | Joint liability guarantee | 1 year | No | No |
| Xianning CSG Energy-Saving Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 1,906 | Joint liability guarantee | 1 year | No | No |
| Wujiang CSG East China Architectural Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 1,082 | Joint liability guarantee | 1 year | No | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 2,000 | Joint liability guarantee | 1 year | No | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 500 | Joint liability guarantee | 1 year | No | No |
| Tianjin CSG Energy-Saving Glass Co., Ltd. | 2019-8-23 | 2019-9-17 | 419 | Joint liability guarantee | 1 year | No | No |
| Total amount of approving guarantee for subsidiaries in report period (B1) | | 354,506 | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | | | 78,821 |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | 499,282 | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | | | 140,240 |
| Total amount of guarantee of the Company(total of three abovementioned guarantee) | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1+C1) | | 354,506 | Total amount of actual occurred guarantee in report period (A2+B2+C2) | | | | 78,821 |
| Total amount of approved guarantee at the end of report period (A3+B3+C3) | | 499,282 | Total balance of actual guarantee at the end of report period (A4+B4+C4) | | | | 140,240 |
| The proportion of the total amount of actual guarantee in | | | 14.77% | | | | |

| | |
|--|---|
| the net assets of the Company(that is A4+ B4+C4) | |
| Including: | |
| Total amount of the aforesaid three guarantees(D+E+F) | 0 |
| Amount of guarantee for shareholders, actual controller and its related parties(D) | 0 |
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E) | 0 |
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(F) | 0 |
| Total amount of the aforesaid three guarantees(D+E+F) | 0 |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if any) | N/A |
| Explanations on external guarantee against regulated procedures (if any) | N/A |
| Explanations on Guarantee of the Company for the subsidiaries | The total Guarantee limit was 3,545.06 million in the reporting period, and the company's guarantee line in HSBC (China) co., LTD for the above-mentioned subsidiaries shall not exceed 480 million in total. The company and its wholly-owned subsidiary Yichang CSG Polysilicon Co.,Ltd. jointly guaranteed 305 million for Dongguan CSG PV-tech Co., Ltd.. The company has carried out the bill pool business of 400 millio. The company and its holding subsidiaries can adopt various guarantee methods such as pledge of maximum amount, general pledge, pledge of certificates of deposit, pledge of bills, pledge of security deposit and so on for the establishment and use of the bill pool. |

(2) Illegal external guarantee

☐ Applicable ☒ Not applicable

No Illegal external guarantee in the report period.

3. Entrust others to manage cash assets

(1) Entrusted Financing

☐ Applicable ☒ Not applicable

No Entrusted financing in the report period.

(2) Entrusted loans

☒ Applicable ☐ Not applicable

Unit: RMB 0,000

| Accrued of loan | Amount of loan | Unexpired balance | Overdue outstanding amount |
|-----------------|----------------|-------------------|----------------------------|
| 60,000 | Own funds | 30,000 | |

Note:

At the 8th extraordinary meeting of the board of directors held on September 11, 2019, the company considered and approved the issuance of entrusted loans to Yuezhou water investment and development co., TD. of Tengchong, with a total amount of 300 million yuan. The term of the entrusted loan is 3 months and the annualized interest rate of the entrusted loan is 8.5%. The principal and proceeds of the entrusted loan have been recovered according to the contract.

At the 8th extraordinary meeting of the board of directors held on December 20, 2019, the company considered and approved the issuance of entrusted loans to Yuezhou water investment and development co., TD. of Tengchong, with a total amount of 300 million yuan. The term of the entrusted loan is 3 months and the annualized interest rate of the entrusted loan is 8.5%. March 24, 2020, the principal and proceeds of the entrusted loan have been recovered according to the contract. Mar. 24, 2019, Above loans capital and income has been withdrew.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4. Other material contracts

☐ Applicable ☒ Not applicable

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

XVIII. Social responsibilities

1. Performance of social responsibilities

2019 Annual Social Responsibilities Report of CSG is the 12th annual report released by the Company consecutively. The report focusing on the year of 2019, systemically formulated the Company concrete actions of how to positively perform the social responsibilities, and the efforts to implement the "Scientific Development Perspective", building up a harmonious society, and advancing the sustainable development of economic and society. See the full report on www.cninfo.com.cn.

2. Circumstances related to environmental protection

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

Yes

| Name of Company or subsidiary | Name of major pollutants and characteristic contaminants | Way of emission | Number of Exhaust vent | Exhaust vent distribution | Emission concentration | Implementation of pollutant emission standards | Total emission | Approved total emission | Excessive emissions |
|-------------------------------|--|---------------------|------------------------|---------------------------|------------------------------------|--|----------------------|-------------------------|---------------------|
| Xianning CSG | Dust\Soot\SO ₂ \ | Discharge after the | 16 | Chimney, Exhaust | Dust≤30mg/m ³ ; Soot≤40 | 《Emission standard of air | Particulates:26.21t; | Particulates: | Reach the discharge |

| | | | | | | | | | |
|---|--|---|----|-----------------------|---|--|---|--|------------------------------|
| Glass Co., Ltd. | Nitrogen oxide | treatment of denitrification and dust removal | | vent | mg/m ³ SO ₂ ≤300 mg/m ³ NOx≤350 mg/m ³ | pollutants for flat glass industry》(GB26453-2011) | SO ₂ :202.45t; NOx:269.05t. | 96.82t/a; SO ₂ :636.5t/a Nitrogen oxides: 1113.89t/a | standard |
| Chengdu CSG Glass Co., Ltd | Dust \ Soot \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 15 | chimney, exhaust vent | Dust≤30mg/m ³ ; Soot≤20mg/m ³ ; SO ₂ ≤200mg/m ³ ; NOx≤350mg/m ³ . | 《Emission standard of air pollutants for flat glass industry》(GB26453-2011) | Particulates:44.468t; SO ₂ :372.91t; NOx :755.85t. | Particulates : 129.395t/a ; SO ₂ :1035.162t/a; NOx: 1811.536t/a。 | Reach the discharge standard |
| Hebei CSG Glass Co., Ltd. | Dust \ Particulates \ SO ₂ \ Nitrogen oxide | Discharge after denitrification, desulfurization and dust removal treatment | 12 | chimney, exhaust vent | Dust≤20mg/m ³ ; Particulates≤10 mg/m ³ SO ₂ ≤50mg/m ³ ; NOx≤200mg/m ³ . | 《Emission standard of air pollutants for flat glass industry》DB13/2168-2015 Hebei local standard | Particulates:5.39t; SO ₂ :58.2t; NOx :261.47t. | Particulates : 59.78t/a; SO ₂ :498.18t/a; NOx: 982.2t/a。 | Reach the discharge standard |
| Qingyuan CSG New Energy-Saving Materials Co., Ltd | Particulates \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 4 | chimney, exhaust vent | Particulates≤30 mg/m ³ SO ₂ ≤280mg/m ³ ; NOx≤550mg/m ³ . | 《Emission standard of air pollutants for flat glass industry》(GB26453-2011) 《by Guangdong Province Emission Standard of Air Pollutant for glass industry》, (DB 44/2159-2019) | Particulates:4.868t; SO ₂ :1.62t; NOx :92.558t. | Particulates : 5.475t/a SO ₂ :30.456t/a; NOx :247.258t/a。 | Reach the discharge standard |
| Yichang CSG Polysilicon Co., Ltd | PH\COD\Ammonia nitrogen\Fluoride | Discharged to the sewage treatment plant after being treated by the Company's sewage treatment station. | 3 | Sewage vent | PH:6-9; COD≤500mg/L ; Fluoride≤10 mg/L. | 《Sewage Integrated Emission Standards》Level 3 Standard (GB8978-1996), Fluoride implementation of primary standards | COD: 21.335t; Ammonia nitrogen: 0.94t. | COD: 198.47t/a ; Ammonia nitrogen: 2.49t/a。 | Reach the discharge standard |
| Wujiang CSG Glass Co., Ltd | Particulates \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 39 | chimney, exhaust vent | Particulates≤40 mg/m ³ SO ₂ ≤250 mg/m ³ NOx≤300 mg/m ³ | 《Emission standard of air pollutants for flat glass industry》(GB26453-2011) | Particulates: 36.94t; SO ₂ :203.78t; NOx :368.58t. | Particulates : 76.91t/a; SO ₂ :238.28t/a; NOx: 818.04t/a | Reach the discharge standard |

| | | | | | | | | | |
|--|--|---|----|---------------------------|---|---|--|--|------------------------------|
| | | | | | | | | | |
| Dongguan CSG Solar Glass Co., Ltd. | dust \ soot \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 22 | chimney, exhaust vent | dust≤5mg/m ³ ; soot≤10 mg/m ³ ; SO ₂ ≤400 mg/m ³ ; NO _x ≤650 mg/m ³ . | 《Emission standard of air pollutants for flat glass industry》(GB26453-2011) | Particulates: 5.57t; SO ₂ : 249.48t; NO _x : 297.08t. | Particulates: 34.85t/a; SO ₂ : 300.99t/a; NO _x : 535.67t/a. | Reach the discharge standard |
| Dongguan CSG Architectural Glass Co., Ltd. | PH \ COD \ Ammonia nitrogen | Discharged to the sewage treatment plant after being treated by the Company's sewage treatment station. | 1 | Sewage vent | PH: 6~9; COD≤16 mg/L; Ammonia nitrogen≤0.784 mg/L. | 《Guangdong Province water pollutant emission limit》(DB44/26-2001) Second period Level 1 Standard | COD: 1.33t; Ammonia nitrogen: 0.02t. | COD: 5.4t/a; Ammonia nitrogen: 0.6t/a. | Reach the discharge standard |
| Dongguan CSG PV-tech Co., Ltd. | waste water: Fluoride \ COD \ Ammonia nitrogen: HF \ NO _x | The wastewater is discharged after being treated by the sewage station, and the exhaust gas is discharged after being treated by the exhaust gas treatment tower. | 20 | Sewage vent, Exhaust vent | COD≤70 mg/L; Ammonia nitrogen≤10mg/L; Fluoride≤8mg/L; exhaust: NO _x ≤30mg/m ³ ; HF≤3 mg/m ³ . | 《Guangdong Province water pollutant emission limit》(DB44/26-2001) Second period first level standard; 《Battery industry pollutant discharge standards》(GB30484-2013). | waste water: COD: 13.963t; Ammonia nitrogen: 1.48t; Fluoride: 1.18t; Exhaust: Nitrogen oxide: 19.814t; Fluoride: 1.335t. | waste water: COD: 14.04t/a; Ammonia nitrogen: 1.56t/a; Fluoride: 1.56t/a; exhaust: Nitrogen oxide: 20.825t/a; Fluoride: 1.5156t/a. | Reach the discharge standard |
| Hebei Panel Glass Co., Ltd. | Dust \ Soot \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 5 | Chimney, exhaust vent | dust≤30mg/m ³ ; soot≤10 mg/m ³ ; SO ₂ ≤50 mg/m ³ ; NO _x ≤200mg/m ³ . | 《Electrical Glass Industry Air Pollutant Emission Standards》(GB29495-2013) | Particulates: 0.511t; SO ₂ : 0.45t; NO _x : 7.02t. | Particulates: 8.2125t/a; SO ₂ : 22t/a; NO _x : 39.4t/a. | Reach the discharge standard |
| Jiangyou CSG Mining Development Co., LTD. | Particulates \ COD | Discharge after dust removal by cloth bag; Discharge after treatment by sewage treatment equipment | 5 | Sewage vent, Exhaust vent | Particulates≤20 mg/m ³ ; COD≤24mg/m ³ . | 《Emission Standard of Air Pollutants》GB16297-1996 Level 2 Standard; 《integrated wastewater discharge standard》GB8978-1996 | Particulates: 0.5t; COD: 0.18t. | Particulates: 12.96t/a; COD: 0.57t/a. | Reach the discharge standard |

| | | | | | | Level 1 Standard | | | |
|--|--|---|---|------------------------------------|--|--|---|---|------------------------------------|
| Yichang CSG Display Co., Ltd. | COD \ Ammonia nitrogen \ Nitrogen oxide | The waste water is discharged after being treated by the sewage station, and the exhaust gas is discharged after being treated by the exhaust gas treatment tower. | 2 | Sewage vent, Exhaust vent | COD≤500mg/ ; NOx<240mg/m ³ . | 《Sewage Integrated Emission Standards》 Level 3 Standard (GB8978- 1996); 《The Integrated Emission Standard of Air Pollutants》 (GB16297- 1996) | COD:84.077t ; NOx:0.08t. | COD: 99.5t/a; Nitrogen oxide: 22.4t/a. | Reach the discharge standard |
| Xianning CSG Photovoltaic Glass Co., Ltd | Dust \ Soot \ SO ₂ \ Nitrogen oxide | Discharge after the treatment of denitrification and dust removal | 6 | Chimney, Exhaust vent | Dust≤15mg/m ³ ; Soot≤15 mg/m ³ ; SO ₂ ≤10 mg/m ³ ; NOx≤350 mg/m ³ | 《Electrical Glass Industry Air Pollutant Emission Standards》 (GB29495- 2013) | Particulates:2. 16t; NOx: 50.01t. | Particulates : 17.656t/a ; SO ₂ : 65.6t/a; Nitrogen oxide: 163.81t/a . | Reach the discharge standard |

Construction and operation of pollution prevention and control facilities

In the prevention and control of pollution facilities, the Company has built flue gas dust removal and denitrification system on production lines. The system runs normally, and the emission of exhaust gas meets regulations standard. Chengdu CSG Glass Co., Ltd. and Wujiang CSG Glass Co., Ltd. have added flue gas desulfurization facilities, and pollutant emissions have been further reduced. Meanwhile, the company strictly implements the requirements of "three simultaneous" construction projects for environmental protection, ensure that the environmental protection facilities are designed, constructed and put into use simultaneously with the main part of the project. In order to ensure the implementation of all environmental measures, we check and confirm the implementation of all measures. Aiming at the environmental protection facilities that have been built and put into operation, the company actively carries out the work of pollution source reduction and pollution prevention and control facilities' upgrading and renovation, so as to reduce pollutant emissions through the combination of source reduction, process control and terminal treatment. In terms of the operation of pollution prevention and control facilities, we first defined the red line of operation and management of environmental protection facilities. Secondly, continuously strengthen the operation process management of environmental protection facilities, improve the operation stability and treatment efficiency. Finally, the pollutant emission level is monitored through the combination of online monitoring and manual monitoring to ensure the steady discharge of pollutants to the standard.

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

The company strictly implements the relevant requirements of the environmental impact assessment law, carries out the environmental impact assessment for new projects, and implements the environmental protection measures in the evaluation documents in the design documents and engineering construction. After the new projects are put into operation, the company has completed the independent acceptance procedures of environmental protection for the

completion of the construction projects on schedule, so as to ensure that the production of the construction projects is legal and compliant.

In 2018, the new jade glass plates project of Dongguan CSG Jingyu new material co., Ltd. had been approved and obtained the environmental influence appraise, the project construction had been completed and had been turned into production commissioning. The project for the construction of 1.2 million cells AG&AF glass plate by Yichang Display Co., Ltd., had been approved and obtained the environmental influence appraise in 2018, which is during the construction period, the project has completed part of the capacity construction and now enters the pilot production stage. The project for the construction of Easy-clean glass coating production line by Xianning CSG Energy-Saving had been approved and obtained the environmental influence appraise in 2018, the project has completed part of the capacity construction and now enters the pilot production stage. The project of One Furnace Two Lines which Qingyuan CSG Energy-saving had been approved and obtained the environmental influence appraise in 2018, and the project is under construction. The project for the construction of Quartz material processing line by Qingyuan CSG had been approved and obtained the environmental influence appraise in 2018, the project construction had been completed and had been turned into production commissioning. The subsidiaries have effectively carrying out the “Three Simultaneous” procedures for all other new and old projects, and have been rewarded with the pollutant discharge license within the validity period. They timely declared the pollutant discharge, carried out the monitoring and reporting of pollutant discharge and paid the pollutant discharge fee according to the relevant regulations of the state.

Emergency response plan system of environment incident

In accordance with the national requirements, all subsidiaries prepared emergency environmental response plan for environment incident, organized and carried out expert evaluation and filed with the local environmental protection department as required, conducted the emergency drill against environmental incidents. And there were no major environmental incidents occurred in 2019.

Environmental self-monitoring scheme

In accordance with national laws and regulations, construction project environmental impact assessment documents and the requirements of their approvals, the subsidiaries have built online monitoring facilities for waste water and exhaust gas, and connected with environmental protection regulatory departments. They have carried out regular comparison and verification of the effectiveness of online monitoring facilities and entrusted third-party units to carry out manual environmental monitoring. Through the combination of self-monitoring and external contracting monitoring, the daily checking of the operation effect of environmental protection facilities and the discharge of three wastes is carried out, so as to realize dynamic and real-time environmental monitoring and comprehensively monitoring of the discharge of pollutants.

Other environmental information to be disclosed

Those subsidiaries which were on key monitoring list of the government above municipal level all disclosed their environment protection status and made regular updating through websites, local government environmental information platform, display pads , Group website and other ways. In 2019, key enterprises have completed the annual environmental information bulletin update.

Other information related to environment protection

CSG always attaches great importance to environmental protection work, actively fulfills its social responsibility, adheres to the development road of energy saving, emission reduction, low-carbon and environmental protection. To further reduce the emission of pollutants, a number of subsidiaries of the group carried out the construction of

desulfurization facilities and standby denitrification facilities in 2019. Upon completion and operation, the emission concentration of sulfur dioxide is significantly reduced on the basis of existing standard emissions. Hebei SG Glass Co., Ltd. and Hebei Panel Glass Co., Ltd. have achieved ultra-low emission of pollutants, and have been rated as class A national environmental protection enterprises. Tianjin SG Energy-saving Glass Co., Ltd. and Xianning SG Glass Co., Ltd. have become the fourth batch of national green factories, and Xianning SG Glass Co., Ltd. has won the title of "energy-saving, environmental protection, green and low-carbon advanced typical enterprise".

XIX. Statement on other important matters

√Applicable □ Not applicable

1. Ultra-short-term financing bills

On May 14, 2018, the company's 2017 annual shareholders' meeting deliberated and approved the resolution on the application for registration and issuance of ultra-short-term financing bills. It agreed that the company should register and issue ultra-short-term financing bills with a registered amount not exceeding 4 billion yuan (not subject to the restriction that the amount of ultra-short-term issued shall not exceed 40% of net assets). With the period of validity of the quota not longer than two years, such ultra-short-term financing bills will be issued by installments in accordance with the actual capital needs of the company and the situation of inter-bank market funds. On Sep. 17, 2018, the Chinese Association of Interbank Market Traders held its 63rd registration meeting in 2018, and decided to approve the registration of the ultra-short-term financing bills with a total amount of 1.5 billion yuan and a validity period of two years. The ultra-short-term financing bills are underwritten jointly by Minsheng Bank of China Limited and Industrial Bank Co., Ltd, and can be issued by installments within the validity period of registration. On February 21, 2020, the company issued ultra-short-term financing bonds with a total amount of 300 million yuan and a term of 270 days in the first phase of 2020, with an interest rate of 4% and a payment date of November 21, 2020.

2. Medium-term notes

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

On April 15, 2016, the Shareholders' General Meeting of 2015 of CSG deliberated and approved the proposal of application for registration and issuance of medium-term notes with total amount of RMB 0.8 billion, which could be issued by stages within period of validity of the registration according to the Company's actual demands for funds and the status of inter-bank funds. On 2 March 2018, National Association of Financial Market Institutional Investors (NAFMII) held the 14th registration meeting of 2018, in which NAFMII decided to accept the registration of the Company's medium-term notes, amounting to RMB 0.8 billion and valid for two years. Shanghai Pudong Development Bank Co., Ltd. and China CITIC Bank Corporation Limited were joint lead underwriters of these medium-term notes which could be issued by stages within period of validity of the registration. On May 4, 2018, the company issued the

first medium-term notes with a total amount of 800 million yuan and a term of three years. The issue rate was 7%, and the redemption date was May 4, 2021.

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

3. Public issuance of corporate bonds

On March 2, 2017, the 2nd Extraordinary General Meeting of Shareholders in 2017 reviewed and approved "the Proposal on the Public Issuance of Corporate Bonds for Qualified Investors". On February 27, 2019, the First Extraordinary General Meeting of Shareholders in 2019 The "Proposal on Extending the Validity Period of the Shareholders' Meeting for the Public Offering of Corporate Bonds to Qualified Investors" agreed to issue corporate bonds with a total issue of no more than RMB 2 billion and a term of no more than 10 years.

The company received the reply of China Securities Regulatory Commission on approval of CSG Holding Co., Ltd. 's Public Issuance of Corporate Bonds to Qualified Investors (ZJXK [2019] No.1140) on July 22, 2019. From March 24, 2020 to March 25, 2020, the company issued the first installment of 2020 with a total amount of 2 billion corporate bonds with a maturity of 3 years, with an interest rate of 6% and a payment date of March 25, 2023 (see "Section 9 Relevant Situation of Corporate Bonds" for details). On March 12, 2020, the first general meeting of shareholders in 2020 reviewed and approved the Proposal on Public Issuance of Corporate Bonds to Qualified Investors, which approves the company to issue corporate bonds with a total amount of no more than 1.8 billion and a term of no more than 10 years.

4. The holding of the bondholders' meeting during the reporting period

On January 8, 2019, the company issued the notice of convening the first meeting of CSG Holding Co., Ltd. in 2015 and the notice of convening the first meeting of CSG Holding Co., Ltd. On January 22, 2019, the company in 2015 the first phase of the medium-term notes holders meeting, in 2018 the first phase of the medium-term notes holders meeting off-site way and proceed to a vote, in 2015 the first phase of the medium-term notes holder and in 2018 the first phase of the medium-term notes holders meeting due to attend the meeting held by the holder of voting rights have not reached the amount of total at least two-thirds of the votes, the meeting did not come into effect.

On May 31, 2019, due to the capital decrease caused by buyback and cancellation of part of restricted stocks of stock incentive plan and restricted stocks that fail to meet the unlocking condition of the second unlocking period, the company issued Announcement on Holding the First Phase of Medium-term Notes Holder Meeting of CSG Holding Co., Ltd. in 2015, Announcement on Holding the First Phase of Medium-term Notes Holder Meeting of CSG Holding Co., Ltd. in 2018. On June 18, 2019, the first phase of the medium-term notes holders meeting in 2015 and the first phase of the medium-term notes holder meeting in 2018 were held and voted in off-site way. The amount of voting rights held by the holders that attended the first phase of the medium-term notes holders meeting in 2015 and the first phase of the medium-term notes holder meeting in 2018 was less than 2/3 of total voting rights, and the meeting did not take effect.

On October 17, 2019, due to the capital decrease caused by buyback and cancellation of part of restricted stocks of stock incentive plan, the company issued Announcement on Holding the Third Holder Meeting in 2019 for the First Phase of Medium-term Notes of CSG Holding Co., Ltd. in 2015, Announcement on Holding the Third Holder Meeting in 2019 for the First Phase of Medium-term Notes of CSG Holding Co., Ltd. in 2018. On October 31, 2019, the third holder meeting in 2019 for the first phase of the medium-term notes in 2015 and the third holder meeting in 2019 for the first phase of the medium-term notes in 2018 were held and voted in off-site way. The amount of voting rights held by the holders that attended the third holder meeting in 2019 for the first phase of the medium-term notes in 2015 and the third holder meeting in 2019 for the first phase of the medium-term notes in 2018 was less than 2/3 of total voting rights, and the meeting did not take effect.

XX. Significant events of subsidiaries of the Company

☐ Applicable ☒ Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

Unit: Share

| | Before the Change | | Increase/Decrease in the Change (+, -) | | | | | After the Change | |
|---|-------------------|----------------|--|--------------|----------------------------------|------------|-------------|------------------|----------------|
| | Amount | Proportion (%) | New shares issued | Bonus shares | Capitalization of public reserve | Others | Subtotal | Amount | Proportion (%) |
| I. Restricted shares | 77,578,503 | 2.71% | | | 4,069,124 | 40,559,457 | -36,490,333 | 41,088,170 | 1.32% |
| 1. State-owned shares | | | | | | | | | |
| 2. State-owned legal person's shares | | | | | | | | | |
| 3. Other domestic shares | 77,578,503 | 2.71% | | | 4,069,124 | 40,559,457 | -36,490,333 | 41,088,170 | 1.32% |
| Including: Domestic legal person's shares | | | | | | | | | |
| Domestic natural person's shares | 77,578,503 | 2.71% | | | 4,069,124 | 40,559,457 | -36,490,333 | 41,088,170 | 1.32% |
| 4. Foreign shares | | | | | | | | | |
| Including: Foreign legal person's shares | | | | | | | | | |
| Foreign natural person's shares | | | | | | | | | |
| II. Unrestricted shares | 2,785,698,698 | 97.29% | | | 278,494,162 | 2,915,133 | 281,409,295 | 3,067,107,993 | 98.68% |
| 1. RMB Ordinary shares | 1,777,184,676 | 62.07% | | | 177,642,678 | 2,914,607 | 180,557,285 | 1,957,741,961 | 62.99% |
| 2. Domestically listed foreign shares | 1,008,514,022 | 35.22% | | | 100,851,484 | 526 | 100,852,010 | 1,109,366,032 | 35.69% |
| 3. Overseas listed foreign shares | | | | | | | | | |
| 4. Others | | | | | | | | | |
| III. Total shares | 2,863,277,201 | 100% | | | 282,563,286 | 37,644,324 | 244,918,962 | 3,108,196,163 | 100% |

1. The number of shares before the change of this report has been adjusted from the number at the end of the 2018 annual report, due to reasons such as China securities registration and clearing co., LTD. 's adjustment of the shares subject to the high limit of directors' supervision prior to the opening of the first trading day of 2019 in accordance with relevant regulations.

2. The total number of shares after the change includes all the 1,281,158 restricted shares of the 18 unqualified original incentive subjects who have been repurchased but have not completed write-off in the previous time.

Reasons for equity changes

☒Applicable ☐Not applicable

1. The company's total shares were reduced by 37,644,324 due to the repurchase of some restricted stock in the restricted stock incentive program and the repurchase of restricted stock that did not meet the unlocking conditions of the second unlocking period.

2. The company's total capital stock increased by 282,563,286 shares due to the implementation of the 2018 annual profit distribution and capital reserve fund capital increase plan.

3. As a result of the company's 2017 A share restricted stock incentive plan reserved to grant part of the first period of lifting restrictions on the completion of conditions for lifting restrictions, restricted stock lifting restrictions on the sale of 3,909,350 shares. After the shares held by the senior management are unlocked, the corresponding shares are locked in accordance with relevant regulations.

4. Due to the change of the company's senior management and the lockup of their shareholding, the Shenzhen branch of China securities registration and clearing Co., Ltd. shall adjust the restricted shares held by the senior management in accordance with relevant regulations, and the company's restricted shares and unrestricted shares changed accordingly.

Approval on equity changes

☒Applicable ☐Not applicable

1. The company's 2018 annual profit distribution and capital accumulation fund to increase the share capital plan was approved by the eighth meeting of the eighth board of directors held on April 16, 2019 and the 2018 annual general meeting of shareholders held on May 9, 2019.

2. The company's repurchase and cancellation of some restricted stock incentive plans was deliberated and passed at the extraordinary meeting of the 8th board of directors and the extraordinary meeting of the 8th board of supervisors held on December 12, 2018, and deliberated and passed at the 8th extraordinary meeting of the 8th board of directors and the 8th extraordinary meeting of the 8th board of supervisors held on April 16, 2018. Also deliberated and passed at the third extraordinary general meeting of shareholders in 2018 and the annual general meeting of shareholders in 2018 respectively.

3. On September 16, 2019, the company convened an extraordinary meeting of the 8th Board of Directors and an extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the "proposal on the achievement of condition for unlock the first restriction period stock of the 2017 a-share restricted stock incentive plan of the company". Except the 3 incentive objects who have left the company and are no longer qualified for unlocking, the total number of incentive objects who meet the condition for unlocking is 71, and the number of restricted shares that can be unlocked is 3,909,350, accounting for 0.13% of the total share capital of the company at present. The board of supervisors, the independent directors and the law firm have expressed their express consents.

Transfer of ownership of changes in shares

☒Applicable ☐Not applicable

1. The A-share registration date for 2018 annual profit distribution and the capitalization of capital reserve was on June 25, 2019 and the ex-dividend date was June 26, 2019. A-shares bonus (or capitalized) were directly recorded in the stockholders' A-share accounts on June 26, 2019. The registration date and ex-dividend date of B shares were June 28,

2019 and June 26, 2019 respectively. B-shares bonus (or capitalized) were directly recorded in shareholders' B-share accounts on June 28, 2019.

2. The company repurchases and cancels all the restricted shares of 8 unqualified original incentive subjects who have been granted but have not yet been released from sale, by June 18, 2019, the company has completed the cancellation procedures of the above-mentioned restricted stock at the Shenzhen branch of China securities registration and clearing co., LTD.

3. The company repurchase and cancels all the restricted shares of 14 non-eligible former incentive subjects that had been granted but had not been released, and repurchases and cancels all the restricted shares of 483 incentive subjects that do not meet the unlocking conditions of the second unlocking period, by June 18, 2019, the company has completed the cancellation procedures of the above-mentioned restricted stock at the Shenzhen branch of China securities registration and clearing co., LTD.

4. Because the condition of unlock the first restriction period stock of the company's 2017 a-share restricted stock incentive plan has been met, and as the change of senior management and lockup of their shareholdings, the Shenzhen branch of China securities registration and clearing Co., Ltd. Adjusted the company's restricted shares and unrestricted shares accordingly in accordance with relevant regulations.

Implementation progress of share repurchase

☐Applicable ☒Not applicable

Implementation progress of share buyback reduction through centralized bidding

☐Applicable ☒Not applicable

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

☒Applicable ☐ Not applicable

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

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

☐Applicable ☒ Not applicable

2. Changes of restricted shares

☒Applicable ☐ Not applicable

Unit: Share

| Shareholder's name | Number of shares restricted at Period-begin | Number of shares released in the Year | Number of restricted shares repurchased in the year | Number of new shares restricted in the Year | Number of shares restricted at Period-end | Restriction reasons | Released date |
|--------------------|---|---------------------------------------|---|---|---|---|--|
| Chen Lin | 2,766,589 | 0 | 1,106,635 | 165,995 | 1,825,949 | Executive lockup stocks of 608,649 shares, equity incentives restricted stocks of 1,217,300 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup |

| | | | | | | | |
|--|------------|-----------|------------|-----------|------------|--|--|
| | | | | | | | will be implemented according to relevant policies. |
| Wang Jian | 2,300,000 | 1,012,000 | 690,000 | 540,500 | 1,138,500 | Executive lockup stocks of 379,500 shares, equity incentives restricted stocks of 759,000 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup will be implemented according to relevant policies. |
| Lu Wenhui | 2,074,941 | 0 | 829,976 | 124,496 | 1,369,461 | Executive lockup stocks of 456,486 shares, equity incentives restricted stocks of 912,975 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup will be implemented according to relevant policies. |
| He Jin | 1,530,000 | 88,000 | 612,000 | 179,800 | 1,009,800 | Executive lockup stocks of 336,600 shares, equity incentives restricted stocks of 673,200 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup will be implemented according to relevant policies. |
| Yang Xinyu | 1,976,134 | 0 | 790,453 | 118,568 | 1,304,249 | Executive lockup stocks of 434,750 shares, equity incentives restricted stocks of 869,499 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup will be implemented according to relevant policies. |
| Core Management Team (note3) | 43,827,183 | 1,017,201 | 22,239,248 | 2,158,784 | 22,729,518 | Equity incentives | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan. |
| Technology and Business Backbone (note4) | 19,006,754 | 1,343,393 | 9,249,135 | 975,771 | 9,389,997 | Equity incentives | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan. |
| Zhao Peng | 1,023,206 | 448,756 | 305,970 | 239,398 | 507,878 | Supervisor's departure lockup stocks of 171,311 shares, equity incentives restricted stocks of 336,567 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan, once unlocked executive lockup will be implemented according to relevant policies. |
| Li Weinan | 2,273,696 | 0 | 1,580,907 | 504,029 | 1,196,818 | Executive's departure lockup stocks of 1,196,818 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan. |
| Li Cuixu (note2) | 800,000 | 0 | 240,000 | 56,000 | 616,000 | Equity incentives restricted stocks of 616,000 shares. | Unlock period in accordance with the requirement of implementation of the Company's restricted stock equity incentive plan. |
| Total | 77,578,503 | 3,909,350 | 37,644,324 | 5,063,341 | 41,088,170 | -- | -- |

Note 1: The number of restricted shares at the beginning of the period in the above table has been adjusted compared with the number at the end of the 2018 annual report, which is caused by China Securities Registration and

Clearing co., LTD. 's adjustment of the current period of limited shares of directors before the opening of the first trading day in 2019 in accordance with relevant regulations.

Note 2: Mr. Li cuixu has resigned from his position as Vice President of the company on May 30, 2019, and his holding of 616,000 equity incentive restricted stock units has been repurchased but has not yet completed the cancellation procedures.

Note 3: One member of the core management team repurchased 181,072 shares due to his quit and has not completed the cancellation procedures.

Note 4: Among the technical and business backbone, 16 employees have repurchased 484,086 shares of restricted stock for reasons such as leaving their posts or adjusting their positions according to the assessment results, which do not meet the incentive conditions, and have not completed the cancellation procedures.

II. Issuance and listing of Securities

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

☐Applicable ☒Not applicable

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

☒Applicable ☐ Not applicable

1. The company repurchased a total of 37,644,324 restricted shares, include 3,910,048 shares held by the 22 original incentive targets but not yet unlocked and 33,734,276 shares of 483 incentive subjects did not meet the unlocking conditions of the second unlocking period. The share capital was 2,825,632,877 shares after the repurchase. The cancellation of restricted stock repurchase has been completed on June 18, 2019; the total number of shares of the company was changed from 2,863,277,201 shares to 2,825,632,877 shares.

2. Statement on profit distribution plan and capitalization of capital reserve plan of the Company in 2018: based on 2,825,632,877 shares of the total share capital while dividends will be distributed, distributing cash dividend of RMB 0.5 (tax included) for every 10 shares to all shareholders. Meanwhile the Company will transfer capital reserve into capital with 1 shares for every 10 shares to all shareholders based on 2,825,632,877 shares of the total share capital. The program was completed on June 28, 2019, and the total share capital was increased to 3,108,196,163 shares after the plan was completed.

3. On September 16, 2019, the company convened an extraordinary meeting of the 8th Board of Directors and an extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the "Proposal on Repurchase and Cancel part of Restricted Stocks of Restricted Stock Incentive Plan", considered and agreed to repurchase and cancel the total of 1,281,158 shares of 18 incentive targets of all restricted stocks that have been granted to them who have not been eligible with stock still under restriction. It was approved by the forth extraordinary general meeting of shareholders in 2019, held on October 10, 2019. The above restricted stock has not completed the cancellation procedures at the end of the reporting period.

4. On September 16, 2019, the company convened an extraordinary meeting of the 8th Board of Directors and an extraordinary meeting of the 8th Board of Supervisors, and reviewed and approved the "proposal on the achievement of condition for unlock the first restriction period stock of the 2017 a-share restricted stock incentive plan of the company". Except the 3 incentive objects who have left the company and are no longer qualified for unlocking, the total number of incentive objects who meet the condition for unlocking is 71, and the number of restricted shares that can be unlocked is 3,909,350, accounting for 0.13% of the total share capital of the company at present. The board of supervisors, the

independent directors and the law firm have expressed their express consents. The unlock date/ listing date of these restricted stock is September 25, 2019.

3. Existing internal staff shares

☐ Applicable ☒ Not applicable

III. Particulars about shareholder and actual controller of the Company

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

Unit: Share

| | | | | | | | | |
|--|--|--|---|--|----------------------------------|--|--------------------------------|------------|
| Total shareholders at the end of the report period | 143,451 | Total shareholders at the end of the month before this annual report disclosed | 148,844 | Total preference shareholders with voting rights recovered at end of report period (if applicable) | 0 | Total preference shareholders with voting rights recovered at end of the month before this annual report disclosed (if applicable) | 0 | |
| Shareholder with above 5% shares hold or top 10 shareholders | | | | | | | | |
| Full name of Shareholders | Nature of shareholder | Proportion of shares held (%) | Total shares held at the end of report period | Changes in report period | Amount of restricted shares held | Amount of un-restricted shares held | Number of share pledged/frozen | |
| | | | | | | | Share status | Amount |
| Foresea Life Insurance Co., Ltd. – Haili Niannian | Domestic non state-owned legal person | 15.01% | 466,386,874 | 42,398,807 | | 466,386,874 | | |
| Foresea Life Insurance Co., Ltd. – Universal Insurance Products | Domestic non state-owned legal person | 3.81% | 118,425,007 | 10,765,910 | | 118,425,007 | | |
| Shenzhen Jushenghua Co., Ltd. | Domestic non state-owned legal person | 2.79% | 86,633,447 | 7,875,768 | | 86,633,447 | Pledged | 81,000,000 |
| Foresea Life Insurance Co., Ltd. – Own Fund | Domestic non state-owned legal person | 2.08% | 64,765,161 | 5,887,742 | | 64,765,161 | | |
| Central Huijin Asset Management Ltd. | State-owned legal person | 1.86% | 57,915,488 | 5,265,044 | | 57,915,488 | | |
| China Galaxy International Securities (Hong Kong) Co., Limited | Foreign legal person | 1.34% | 41,544,370 | 3,731,306 | | 41,544,370 | | |
| UBS AG | Foreign legal person | 1.14% | 35,504,336 | 35,780,839 | | 35,504,336 | | |
| Hong Kong Securities Clearing Co., Ltd. | Foreign legal person | 1.14% | 35,324,326 | 30,153,653 | | 35,324,326 | | |
| China Merchants Securities (HK) Co., Limited | State-owned legal person | 1.04% | 32,458,937 | 3,437,662 | | 32,458,937 | | |
| Shenzhen International Holdings (SZ) Limited | State-owned legal person | 0.94% | 29,095,000 | 2,645,000 | | 29,095,000 | | |
| Strategic investors or general legal person becomes top 10 shareholders due to shares issued (if applicable)(note 3) | N/A | | | | | | | |
| Explanation on associated relationship among the aforesaid shareholders | Among shareholders as listed above, Foresea Life Insurance Co., Ltd.-Haili Niannian, Foresea Life Insurance Co., Ltd.-Universal Insurance Products, Foresea Life Insurance Co., Ltd.-Own Fund are all held by Foresea Life Insurance Co., Ltd. Shenzhen Jushenghua Co., Ltd. is a related legal person of Foresea Life Insurance Co., Ltd. and Chengtai Group Co., Ltd., another | | | | | | | |

| | related legal person of Foresea Life Insurance Co., Ltd, which held 40,187,904 shares via China Galaxy International Securities (Hong Kong) Co., Limited. Except for the above-mentioned shareholders, it is unknown whether other shareholders belong to related party or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies. | | |
|---|--|------------------------------------|-------------|
| Particular about top ten shareholders with un-restrict shares held | | | |
| Shareholders' name | Amount of un-restrict shares held at year-end | Type of shares | |
| | | Type | Amount |
| Foresea Life Insurance Co., Ltd. – Haili Niannian | 466,386,874 | RMB ordinary shares | 466,386,874 |
| Foresea Life Insurance Co., Ltd. – Universal Insurance Products | 118,425,007 | RMB ordinary shares | 118,425,007 |
| Shenzhen Jushenghua Co., Ltd. | 86,633,447 | RMB ordinary shares | 86,633,447 |
| Foresea Life Insurance Co., Ltd. – Own Fund | 64,765,161 | RMB ordinary shares | 64,765,161 |
| Central Huijin Asset Management Ltd. | 57,915,488 | RMB ordinary shares | 57,915,488 |
| China Galaxy International Securities (Hong Kong) Co., Limited | 41,544,370 | Domestically listed foreign shares | 41,544,370 |
| UBS AG | 35,504,336 | RMB ordinary shares | 35,504,336 |
| Hong Kong Securities Clearing Co., Ltd. | 35,324,326 | RMB ordinary shares | 35,324,326 |
| China Merchants Securities (HK) Co., Limited | 32,458,937 | Domestically listed foreign shares | 32,458,937 |
| Shenzhen International Holdings (SZ) Limited | 29,095,000 | RMB ordinary shares | 29,095,000 |
| Statement on associated relationship or consistent action among the above shareholders: | Among shareholders as listed above, Foresea Life Insurance Co., Ltd.-Haili Niannian, Foresea Life Insurance Co., Ltd.-Universal Insurance Products, Foresea Life Insurance Co., Ltd.-Own Fund are all held by Foresea Life Insurance Co., Ltd. Shenzhen Jushenghua Co., Ltd. is a related legal person of Foresea Life Insurance Co., Ltd. and Chengtai Group Co., Ltd., another related legal person of Foresea Life Insurance Co., Ltd, which held 40,187,904 shares via China Galaxy International Securities (Hong Kong) Co., Limited. Except for the above-mentioned shareholders, it is unknown whether other shareholders belong to related party or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies. | | |
| Explanation on shareholders involving margin business (if applicable) | N/A | | |

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

☐ Yes ☒ No

2. Controlling shareholder of the Company

The nature of controlling shareholders: No holding body

The type of controlling shareholder: Not exist

Explanation on the Company without controlling shareholder

Currently the Company has no controlling shareholder. Foresea Life Insurance Co., Ltd. is the Company's largest shareholder that has totally held 657,577,954 shares of the Company via Foresea Life Insurance Co., Ltd.-Haili Niannian, Foresea Life Insurance Co., Ltd.-universal insurance products, Foresea Life Insurance Co., Ltd.-own fund, Foresea Life Insurance Co., Ltd.-a combination of its own funds together with Huatai till the end of the report period, which accounts for 21.16% of the Company's total shares; its person acting in concert Shenzhen Jushenghua Co., Ltd. held 86,633,447 shares, which accounts for 2.79% of the Company's total shares; its person acting in concert Chengtai Group Co., Ltd. held 51,709,088 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.66% of the Company's total shares. Foresea Life Insurance and its persons acting in concert totally held 25.61% of the Company's total shares, which is less than 30%, meanwhile, the number of directors recommended by Foresea Life Insurance and its persons acting in concert 1 persons was no more than half of total number of the Company's board of directors.

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

Changes of controlling shareholders in the report period

☐ Applicable ☒ Not applicable

3. Actual controller of the Company

The nature of actual controller: no actual controller

The type of actual controller: Not exist

Explanation on the Company without actual controller

Currently the Company has no actual controller. Foresea Life Insurance Co., Ltd. is the Company's largest shareholder that has totally held 657,577,954 shares of the Company via Foresea Life Insurance Co., Ltd.–Haili Niannian, Foresea Life Insurance Co., Ltd.–universal insurance products, Foresea Life Insurance Co., Ltd.–own fund, Foresea Life Insurance Co., Ltd.–a combination of its own funds together with Huatai till the end of the report period, which accounts for 21.16% of the Company's total shares; its person acting in concert Shenzhen Jushenghua Co., Ltd. held 86,633,447 shares, which accounts for 2.79% of the Company's total shares; its person acting in concert Chengtai Group Co., Ltd. held 51,709,088 shares of B-share via China Galaxy International Securities (Hong Kong) Co., Ltd and Guosen Securities (Hong Kong) Brokerage Co., Limited, which accounts for 1.66% of the Company's total shares. Foresea Life Insurance and its persons acting in concert totally held 25.61% of the Company's total shares, which is less than 30%, meanwhile, the number of directors recommended by Foresea Life Insurance and its persons acting in concert was no more than half of total number of the Company's board of directors.

Shareholders with over 10% shares held in ultimate controlling level

☒ Yes ☐ No

Natural person

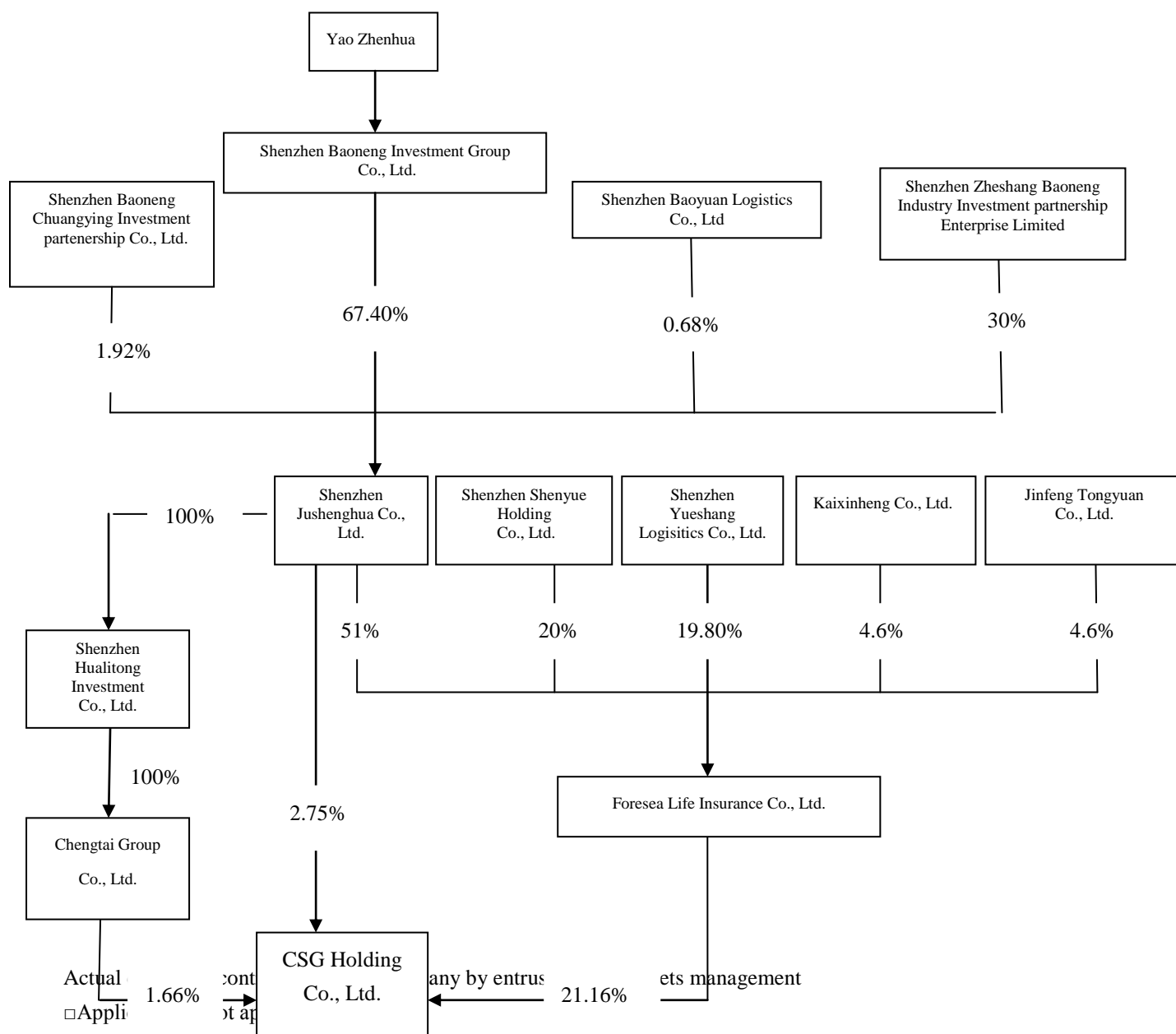
Shares held in ultimate controlling level

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

Changes of actual controller in the report period

☐ Applicable ☒ Not applicable

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



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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

| Name | Title | Working status | Sex | Age | Start dated of office term | End date of office term | Shares held at period-begin (Share) | Amount of shares increased in this period (Share) | Amount of shares decreased in this period (Share) | Other changes (share) | Shares held at period-end (Share) |
|---------------|---|---------------------|--------|-----|----------------------------|-------------------------|-------------------------------------|---|---|-----------------------|-----------------------------------|
| Chen Lin | Chairman of the Board | Currently in office | Female | 48 | 2016-11-19 | 2020-05-02 | 3,688,785 | | | -848,420 | 2,840,365 |
| Wang Jian | Secretary of the Party Committee, Deputy Chairman of the Board, CEO | Currently in office | Male | 56 | 2016-01-21 | 2020-05-02 | 2,300,000 | | | -529,000 | 1,771,000 |
| Zhan Weizai | Independent Director | Currently in office | Male | 56 | 2016-12-14 | 2020-05-02 | | | | | |
| Zhu Guilong | Independent Director | Currently in office | Male | 56 | 2017-05-02 | 2020-05-02 | | | | | |
| Zhu Qianyu | Independent Director | Currently in office | Female | 45 | 2019-04-10 | 2020-05-02 | | | | | |
| Zhang Jinshun | Director | Currently in office | Male | 55 | 2017-05-02 | 2020-05-02 | | | | | |
| Ye Weiqing | Director | Currently in office | Female | 48 | 2016-01-21 | 2020-05-02 | | | | | |
| Cheng Xibao | Director | Currently in office | Female | 38 | 2016-01-21 | 2020-05-02 | | | | | |
| Li Jianghua | Chairman of the supervisory board, employee supervisory | Currently in office | Male | 43 | 2019-03-27 | 2020-05-02 | | | | | |
| Li Xinjun | Supervisor | Currently in office | Male | 52 | 2017-01-13 | 2020-05-02 | | | | | |
| Gao Changkun | Employee Supervisor | Currently in office | Male | 51 | 2018-08-30 | 2020-05-02 | | | | | |
| Lu Wenhui | Executive Vice President | Currently in office | Male | 57 | 2017-02-23 | 2020-05-02 | 2,766,588 | | | -636,315 | 2,130,273 |
| He Jin | Vice president | Currently in office | Male | 48 | 2018-04-08 | 2020-05-02 | 2,040,000 | | | -469,200 | 1,570,800 |
| Yang Xinyu | Secretary of the Board | Currently in office | Male | 40 | 2017-05-02 | 2020-05-02 | 2,634,845 | | | -606,014 | 2,028,831 |

| | | | | | | | | | | | |
|---------------|--------------------------------------|--------------|-------|----|------------|------------|------------|--|--|------------|------------|
| Jin Qingjun | Independent Director | Post Leaving | Male | 63 | 2016-12-14 | 2019-04-10 | | | | | |
| Zhang Wandong | Chairman of the board of supervisors | Post Leaving | Femal | 51 | 2017-01-13 | 2019-03-27 | | | | | |
| Li Weinan | Vice president | Post Leaving | Male | 58 | 2017-02-23 | 2019-02-18 | 3,031,595 | | | -1,834,744 | 1,196,851 |
| Li Cuixu | Vice president | Post Leaving | Male | 45 | 2018-04-08 | 2019-05-30 | 800,000 | | | -184,000 | 616,000 |
| Total | -- | -- | -- | -- | -- | -- | 17,261,813 | | | -5,107,693 | 12,154,120 |

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

| Name | Title | Type | Date | Reason |
|---------------|---|--------------|--------------------------|--|
| Zhu Qianyu | Independent Director | Be employed | 2019-04-10 | By-election of independent directors |
| Li Jianghua | Chairman of the supervisory board, employee supervisory | Be employed | 2019-04-01 2019-03-27 | Election by the supervisory board Election by the employees meeting |
| Li Weinan | Vice president | Be employed | 2019-02-18 | Removed |
| Zhang Wandong | Chairman of the board of supervisors | Post leaving | 2019-03-27 | Resigned |
| Jin Qingjun | Independent Director | Post leaving | 2019-04-10 | Resigned |
| Li Cuixu | Vice president | Post leaving | 2019-05-30 | Resigned |

III. Post-holding

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

Chen Lin: took posts of Department Manager, General Manager Assistant in Shenzhen Shum Yip Logistics Group Co., Ltd. At present, she is the Senior Vice President of Shenzhen Baoneng Investment Group Co., Ltd., Deputy General Manager in Shenzhen Shum Yip Logistics Group Co., Ltd., Chairman of Board of Supervisors of Foresea Life Insurance Co., Ltd., Chairman of Board of Supervisors of Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd., Supervisors of Shenzhen Jushenghua Co., Ltd., Director of Guangdong Shaoneng Group Co., Ltd., Director of Nanning department store Co., Ltd., Chairman of the Board of Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd., Chairman of the Board of Baoneng Automobile Co., Ltd., and Chairman of the Board of the Company.

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

Zhan Weizai: took past of Department of economic management of Xizang University and Secretary of the league general branch, Vice Manager of the financial department of Donghui Industrial Co., Ltd., Director and Chief Financial Officer of Shenzhen Qiaoshe Industry Co.,Ltd., Chief Financial Officer of Shenzhe Truism (Group) Company, Vice General Manager of Sinosafe General Insurance Company Limited., Vice General Manager of Sinosafe Insurance asset management center, Independent Director of Shenzhen Neptunus Bioengineering Co., Ltd., Independent Director of Shenzhen Liantronics Co., Ltd.; At present, he is the Supervisor of Shenzhen Dewo Industrial Development Co., Ltd., Supervisor of Shenzhen Dewo Investment Development Co., Ltd., Visiting Professor of Jiangxi University of Finance and Economics, Visiting Professor at Social Security Center of Wuhan University, Chairman of Shenzhen Jiangcairen Education Management Co., Ltd., Independent Director of Shenzhen Weiye Decoration Group Co., Ltd., Independent Director of Chongqing Zijian electronics Co., Ltd. Independent Director of Dongguan Qinshang Optoelectronic Co., Ltd., and Independent Director of the Company.

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

Zhu Qianyu: took posts of lecturer and associate professor of Central South University for Nationalities, a postdoctoral fellow at Peking University, and an independent director of Jilin Shixian Paper Co.,Ltd., At present, she is associate professor at Renmin University of China and independent director of the Company.

Zhang Jinshun: took posts of member of the Party Committee and Deputy President of the head office of Ping An Bank, Secretary of the Party Committee and Chairman of Board of Ping An Trust Co.,Ltd., General Manager of Chang'an International Trust Co.,Ltd., He currently serves as Deputy Chairman of the Board of Shenzhen Baoneng Investment Group Co.,Ltd., President and CEO of Shenzhen Jushenghua Co.,Ltd., Chairman of Board of Foresea Life Insurance Co.,Ltd., and director of the Company.

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

Group co., Ltd., SVP of the Baoxin Industrial Group co. LTD, the Chairman of Board and General Manager of Shenzhen Jushenghua Co.,Ltd., the Executive Director and General Manager of Qianhai E-payment Co.,Ltd., Chairman of Board and General Manager of Shenzhen Hualitong Investment Co.,Ltd., Director of Shenzhen Baoyuan Logistics Co., Ltd., Director of Shenzhen Shum Yip Logistics Group Co., Ltd., Director of Baoxin Holdings Co., Ltd., General Manager and Director of Baoneng Taisheng Co., Ltd., Director of Baoneng Taifeng Co., Ltd., and Director of the Company.

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

Li Jianghua: took post of group manager of Ping'an Technology (Shenzhen) Co., Ltd., IT engineer of Shenzhen One Card Club Technology Services Co., Ltd., the assistant of general manager and deputy general manager of the Operation Service Department of the Information Management Center of Foresea Life Insurance, the deputy general manager of IT Department of Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd., the general manager of Integrated Financial Development Department of Foresea Life Insurance, and chairman of the supervisory board of the Company.

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

Gao Changkun: took the post of the operation director of Beijing lianxing ketong microelectronics Co., LTD., and the investment specialist of Pintree (Shanghai) Equity investment and management Co., Ltd. At present, he is the President of the solar energy business division and the supervisor of the employees of the Company.

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

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

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

Post-holding in shareholder's unit

√Applicable □ Not applicable

| Name | Name of shareholder's unit | Position in shareholder's unit | Start dated of office term | End date of office term | Received remuneration from shareholder's unit or not |
|--|----------------------------------|---------------------------------------|----------------------------|-------------------------|--|
| Chen Lin | Foresea Life Insurance Co., Ltd. | Chairman of Supervisory Board | Apr. 2012 | | Yes |
| | Shenzhen Jushenghua Co., Ltd. | Supervisor | July 2016 | | No |
| Zhang Jinshun | Shenzhen Jushenghua Co., Ltd. | President & CEO | Jan. 2016 | | Yes |
| | Foresea Life Insurance Co., Ltd. | Chairman of Board | Sep. 2017 | | No |
| Ye Weiqing | Shenzhen Jushenghua Co., Ltd. | Chairman of Board and General Manager | Nov. 2009 | | No |
| | Foresea Life Insurance Co., Ltd. | Director | Feb. 2012 | Dec. 2018 | No |
| Cheng Xibao | Shenzhen Jushenghua Co., Ltd. | Vice President | Mar. 2016 | Apr. 2019 | No |
| | Foresea Life Insurance Co., Ltd. | Director | Oct. 2017 | | No |
| Note of post-holding in shareholder's unit | N/A | | | | |

Post-holding in other unit

√Applicable □ Not applicable

| Name | Name of other units | Position in other unit n | Start dated of office term | End date of office term | Received remuneration from other unit or not |
|-------------|--|-----------------------------------|----------------------------|-------------------------|--|
| Chen Lin | Shenzhen Shum Yip Logistics Group Co., Ltd. | Deputy General Manager | May 2003 | | No |
| | Shenzhen Baoneng Investment Group Co., Ltd. | Executive Vice Present | Oct. 2014 | | No |
| | Xinjiang Qianhai United Property & Casualty Insurance Co.,Ltd. | Chairman of the Supervisory board | May 2016 | | No |
| | Guangdong Shaoneng Group Co., Ltd. | Director | Nov. 2015 | | Yes |
| | Nanning department store co., Ltd. | Director | Apr. 2018 | | Yes |
| | Jonjee Hi-tech Industrial & Commercial Holding Co., Ltd. | Chairman of the Board | Nov. 2018 | | Yes |
| | Baoneng Automobile Co., Ltd. | Chairman of the Board | Dec. 2017 | | No |
| Zhu Qianyu | Renmin University of China | Associate Professor | Mar. 2010 | | Yes |
| Zhan Weizai | Shenzhen Dewo Industrial Development Co., Ltd, | Supervisor | June 2010 | | No |
| | Shenzhen Dewo Investment Development Co., Ltd. | Supervisor | Sep. 2011 | | No |
| | Shenzhen Neptunus Bioengineering Co., Ltd. | Independent director | Aug. 2013 | | Yes |

| | | | | | |
|---------------|---|--|-----------|-----------|-----|
| | Shenzhen Liantronics Co., Ltd. | Independent director | Nov. 2016 | | Yes |
| | Shenzhen Jiangcairen Education Management Co., Ltd. | Chairman of the Board | Jul. 2017 | | No |
| | Shenzhen Weiye Decoration Group Co., Ltd. | Independent director | Sep. 2018 | | Yes |
| | Chongqing Zijian electronics Co., Ltd. | Independent director | Nov. 2019 | | Yes |
| | Dongguan Qinshang Optoelectronic Co., Ltd. | Independent director | Mar. 2020 | | Yes |
| Zhu Guilong | South China University of Technology | Professor and Doctoral tutor | Aug. 2000 | | Yes |
| | GRG BANKING EQUIPMENT CO., LTD. | Independent director | Jan. 2018 | | Yes |
| | Guangzhou Kingmed Diagnostics Group Co., Ltd. | Independent director | Nov. 2015 | | Yes |
| | Guangzhou bank Co.,Ltd. | Independent director | Apr. 2019 | | Yes |
| | Jiangxi Jiufeng Energy Co.,Ltd. | director | Jan. 2019 | | Yes |
| Zhang Jinshun | Shenzhen Baoneng Investment Group Co., Ltd. | Deputy Chairman of the Board | Mar. 2017 | | No |
| Ye Weiqing | Baoneng South China Investment Co., Ltd. | Chairman of the Board | Aug. 2017 | Jan. 2020 | No |
| | Shenzhen Shining Asset Management Co., Ltd. | Executive Director and General Manager | Jun. 2015 | Aug. 2019 | No |
| | Baoneng Holdings (China) Co., Ltd. | Deputy Chairman of the Board | May 2018 | Nov. 2019 | No |
| | Shenzhen Laihua Property Development Co., Ltd. | Chairman of Board and General Manager | Nov. 2016 | Feb. 2020 | No |
| | Shenzhen Liujin Plaza Investment Co., Ltd. | Chairman of Board and General Manager | Feb. 2014 | Nov. 2019 | No |
| | Shenzhen Shum Yip Logistics Center Investment Development Co., Ltd. | Chairman of Board and General Manager | Feb. 2014 | Nov. 2019 | No |
| | Shenzhen Baoneng Jianye Property Co., Ltd. | Director | Aug. 2013 | Nov. 2019 | No |
| | Shenzhen Baoneng Century Property Development Co., Ltd. | Chairman of Board and General Manager | Jul. 2013 | Oct. 2019 | No |
| | All City Co., Ltd. | Chairman of Board and General Manager | Apr. 2013 | Dec. 2019 | No |
| | Baoneng Hotel Investment Co., Ltd. | Chairman of Board | Mar. 2010 | Nov. 2019 | No |
| | Qinglan Industry (Shenzhen) Co., Ltd. | Chairman of Board | Jul. 2012 | May 2018 | No |
| | Baoning Property Co., Ltd. | Chairman of Board and General Manager | May 2012 | Dec. 2019 | No |
| | Shenzhen Zhonglin Industry Development Co., Ltd. | Chairman of Board and General Manager | May 2012 | Dec. 2019 | No |
| | Jonjee Hi-tech Industrial & Commercial Holding Co., | Director | May 2016 | Nov. 2018 | No |

| | | | | | |
|--|---|--|-----------|----------|-----|
| | Ltd. | | | | |
| | Baoxin Financial Group co., Ltd. | Chairman of the joint chiefs of staff | Aug. 2019 | | Yes |
| | Shenzhen Baoxin Industrial Group co. LTD | SVP | June 2019 | | Yes |
| | Shenzhen Baoneng Investment Group Co., Ltd. | Director | Oct. 2013 | Apr.2020 | No |
| | Shenzhen Shum Yip Logistics Group Co., Ltd. | Director | Oct. 2003 | | No |
| | Qianhai E-payment Co., Ltd. | Executive Director and General Manager | Jun. 2014 | | No |
| | Shenzhen Hualitong Investment Co., Ltd. | Chairman of Board and General Manager | Mar. 2012 | | No |
| | Shenzhen Baoyuan Logistics Co., Ltd. | Director | Jun. 2010 | | No |
| | Baoxin Holdings Co., Ltd. | Director | Mar. 2020 | | No |
| | Baoneng Taisheng Co., Ltd. | General Manager and Director | Apr. 2012 | | No |
| | Baoneng Taifeng Co.,Ltd. | Director | Apr. 2012 | | No |
| Cheng Xibao | Shenzhen Baoneng Investment Group Co., Ltd. | Vice President | Dec. 2017 | | No |
| | Baoneng City Development and Construction Group Co., Ltd. | Excecutive Vice President | Oct. 2018 | | Yes |
| | Xinjiang Qianhai United Property & Casualty Insurance Co., Ltd. | Supervisor | Sep. 2016 | | No |
| | Baoneng Automobile Co., Ltd. | Director | Mar. 2017 | | No |
| | Qoros Automobile Co., Ltd. | Director | Dec. 2017 | | No |
| | Shenzhen Baoneng Travel Co.,LTD. | Director | Sep. 2019 | | No |
| | Guizhou Baoneng Automobile Co., Ltd. | Supervisor | Jan. 2018 | | No |
| Li Xinjun | Shenzhen Zhongzhun Tax Agent Office Co., Ltd. | General Manager | Dec. 2004 | | No |
| | Zhongzhun Certified Public Accountants (special general partnership)) | Supervisor | Jan. 2019 | | Yes |
| Note of post-holding in shareholder's unit | N/A | | | | |

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

☐ Applicable ☒ Not applicable

IV. Remuneration for directors, supervisors and senior executives

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

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

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

3. Actual remuneration payment: The allowances for each of the Company's independent directors, external director from non-shareholder's unit and each external supervisor are RMB 0.15 million per year, paid by actual month of service. The total remuneration for directors, supervisor and senior executives in the report period was RMB 22.58 million.

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

Unit: RMB0,000

| Name | Title | Sex | Age | Post-holding status | Total remuneration obtained from the Company before taxation | Received remuneration from related party of the Company or not |
|---------------|---|--------|-----|---------------------|--|--|
| Chen Lin | Chairman of the Board | Female | 48 | Currently in office | | Yes |
| Wang Jian | Secretary of the Party Committee, Deputy Chairman of the Board, CEO | Male | 56 | Currently in office | 450.89 | No |
| Zhan Weizai | Independent Director | Male | 56 | Currently in office | 15 | No |
| Zhu Guilong | Independent Director | Male | 56 | Currently in office | 15 | No |
| Zhu Qianyu | Independent Director | Female | 45 | Currently in office | 11.25 | No |
| Zhang Jinshun | Director | Male | 55 | Currently in office | | Yes |
| Ye Weiqing | Director | Female | 48 | Currently in office | | Yes |
| Cheng Xibao | Director | Female | 38 | Currently in office | | Yes |
| Li Jianghua | Chairman of the Supervisory Board Employee Supervisor | Male | 43 | Currently in office | 104.75 | No |
| Li Xinjun | Supervisor | Male | 52 | Currently in office | 15 | No |
| Gao Changkun | Employee Supervisor | Male | 51 | Currently in office | 180.22 | No |
| Lu Wenhui | Executive Vice President | Male | 57 | Currently in office | 471.43 | No |
| He Jin | Vice president | Male | 48 | Currently in office | 449.09 | No |
| Yang Xinyu | Secretary of the Board | Male | 40 | Currently in office | 200.64 | No |
| Li Weinan | Vice president | Male | 58 | Post leaving | 157.27 | No |
| Li Cuixu | Vice president | Male | 45 | Post leaving | 179.79 | No |
| Jin Qingjun | Independent Director | Male | 63 | Post leaving | 3.75 | No |
| Zhang Wandong | Chairman of the supervisory board | Female | 51 | Post leaving | 3.75 | No |
| Total | | | | | 2,257.83 | |

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

√Applicable □Not applicable

Unit: Share

| Name | Title | Number of shares outstanding during the report period | Number of shares already exercised during the report period | The exercise price of the exercised shares during the report period (RMB / share) | Market price at the end of the report period (RMB / share) | The number of restricted stocks held at the beginning of the period | Number of shares unlocked in this period | Number of restricted shares newly granted during the report period | The granting price of restricted stock (RMB / share) | The number of restricted stocks held at the end of the period |
|------------------|---|---|---|---|--|---|--|--|--|---|
| Chen Lin | Chairman of the Board | 0 | 0 | | | 2,213,271 | 0 | 0 | 4.28 | 1,217,300 |
| Wang Jian | Secretary of the Party Committee, Deputy Chairman of the Board, CEO | 0 | 0 | | | 2,300,000 | 1,012,000 | 0 | 3.68 | 759,000 |
| Lu Wenhui | Executive Vice President | 0 | 0 | | | 1,659,953 | 0 | 0 | 4.28 | 912,975 |
| He Jin | Vice president | 0 | 0 | | | 1,304,000 | 88,000 | 0 | Awarded for the first time: 4.28 The reserved awarded: 3.68 | 673,200 |
| Yang Xinyu | Secretary of the Board | 0 | 0 | | | 1,580,907 | 0 | 0 | 4.28 | 869,499 |
| Li Weinan | Vice president | 0 | 0 | | | 1,580,907 | 0 | 0 | 4.28 | 0 |
| Li Cuixu | Vice president | 0 | 0 | | | 800,000 | 0 | 0 | 3.68 | 616,000 |
| Total | -- | 0 | 0 | -- | -- | 11,439,038 | 1,100,000 | 0 | -- | 5,047,974 |
| Remarks (if any) | | <p>①In case the unlocking conditions of the restricted stock incentive plan is satisfied, the restricted shares Unlock in three phases after 12 months from the date of grant: 40% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 12 months to the last trading day of lock-up period of 24 months), 30% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 24 months to the last trading day of the lock-up period of 36 months), and 30% of the restricted stocks will be available for circulation within the period (from the first trading day following the lock-up period of 36 months to the last trading day of the lock-up period of 48 months).</p> <p>②Except Mr. Li Weinan does not meet the requirements for the incentive due to departure, to whom the restricted stock that has been granted but has not been unlocked is cancelled by the company, the other directors, senior managers mentioned above have not met the performance conditions for the company to unlock the second unlocking period of the 2017 a-share restricted stock incentive plan, the restricted shares that can be released during the second</p> | | | | | | | | |

| | |
|--|--|
| | unlocking period shall not be released and shall be repurchased and cancelled by the company, totaling 4,269,064 shares. |
| | ③ In the above-mentioned directors and senior managers, Mr. Wang Jian, Mr. He Jin (with the exception of 200,000 shares reserved), are awarded restricted shares on Sep. 13, 2018. The conditions to unlock restricted shares in the first restriction periods have been satisfied after 12 months from the date of award, and therefore, the conditions on restricted shares were lifted on Sep. 25, 2019 in the first restriction periods. The amount of restricted shares involved accounts for 40% of the total number of restricted shares granted. Mr. Li Cuixu did not meet the unlock conditions due to his resignation, and his holding of 616,000 equity incentive restricted shares has been repurchased by the company, but has not completed the cancellation procedures. |

V. Particulars of workforce

1. Number, professional composition and educational background of employees

| | |
|---|---|
| Number of employees in the parent company (person) | 536 ⁽ⁱ⁾ |
| Number of employees in major subsidiaries of the Company (person) | 9,918 |
| Total number of employees (person) | 10,454 |
| Total number of employees received salaries in the period (person) | 10,454 |
| Number of retired employees whose costs bore by the parent company and its main subsidiaries (person) | 0 |
| Professional composition | |
| Category of professional composition | Number of professional composition (person) |
| Production personnel | 7,194 |
| Salesman | 623 |
| Technician | 1,456 |
| Financial personnel | 119 |
| Administrative personnel | 1,062 |
| Total | 10,454 |
| Educational background | |
| Category of educational background | Number (person) |
| Doctor | 7 |
| Master | 159 |
| Undergraduate | 2,259 |
| Junior college | 1,921 |
| Degree below junior college | 6,108 |
| Total | 10,454 |

(i) Among them, there are 378 employees sent by the headquarters to the subsidiary.

2. Staff remuneration policy

In 2019, the company continue to emphasize the principle of "performance orientation" in compensation management, through strengthening the concept of organizational performance and strengthening the application of performance results, we advocate that salary incentives should be inclined to high-performing organizations and high-performing individuals, to improve the work enthusiasm of employees, and then improve the overall performance of the organization, to achieve the business objectives.

3. Staff training plan

The company has always attached great importance to the talent team construction and staff training and development. Every year, the company sets up a special fund for the employees' skills training, capacity development and quality improvement. The company has established a comprehensive training and development system for all kinds of employees, and developed personalized training and development systems for senior, middle and grass-roots employees, so as to stimulate the drive of employees, enhance the competitiveness of the enterprise, and provide a strong guarantee for the development of CSG Group. Based on the strategy of sustainable development of human resources, the company will continue to deepen the scientific and systematic operation of training and development, so as to energize, promote management and increase benefits, and achieve a win-win situation for the growth of employees and the development of the enterprise.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section VIII. Corporate Governance

I. Corporate governance of the Company

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

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

The Company has seriously implemented the requirements of the relevant regulatory to cash dividends. The Company formulated the Return plan for Shareholders of CSG Holding Co., Ltd. in the Next Three Years (2018- 2020) according to relevant regulations of the Notice of Further Implementation of Cash Dividends of the Listed Companies (ZJF No.: [2012] 37) and the Regulatory Guidelines of Listed Companies No. 3 - Cash Dividends of Listed Companies (ZGZJHGG No. [2013] 43) issued by China Securities Regulatory Commission, further improved the Company's decision-making and supervision mechanism for distribution of profits, and protected the interests of investors.

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

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

☐Yes ☒No

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

II. Independency of the Company relative to the largest shareholder' in aspect of businesses, personnel, assets, organization and finance

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

1. In terms of business: The Company owns independent purchase and supply system of the raw resources, complete production systems, independent sale system and customers. The Company is completely independent from the substantial shareholders in business. The substantial shareholders and their subsidiaries do not engage any identical business or similar business as the Company.

2. In terms of personnel: The Company established integrated management system of labor, personnel, salaries and the social security, which were absolutely independent from its holding shareholder's. Personnel of the managers, person in charge of the financial and other executive managers are obtained remuneration from the Company since on duty in the Company, and never received remuneration or take part-time jobs in large shareholders' company and other enterprises controlled by large shareholders. The recruitment and dismissal of Directors are conducted through legal procedure since the Company was listed and the manager has been appointed or dismissed by Board of Directors. The Board of Directors and the Shareholders' General Meeting have not received any interference of decisions on personnel appointment and removal from the largest shareholders.

3. In terms of asset: the Company is able to operate business independently and enjoys full control over the production system, auxiliary production system and facilities, land use right, industry property and non-patent technology owned or used by the Company. The investments to the Company from largest shareholder are monetary assets, and the largest shareholder has never occupied, damage or intervene to operation on these assets.

4. In terms of organization: The Company possessed sound corporate governance structure, established Shareholders' General Meeting, Board of Directors, Supervisory Committee, appointed general manager, and fixed related function departments. The Company had been totally independent from its large shareholders in organization structure. The Company has its own office and production sites that are different from those of the large shareholders. The largest shareholder and its related parties didn't deliver any operation plan and order to the Company, neither influence the independence on management of the Company by any forms.

5. In terms of finance: The Company has set up independent financial department, established independent accounting calculation system and financial management system (included management system of its subsidiaries). The financial personnel of the Company didn't take part-time jobs in units of large shareholder or its subordinate units. The Company had independent bank accounts, separated from the large shareholders. The Company is independent taxpayer, paid taxes independently according the laws and didn't pay mixed taxes with the large shareholders. The financial decision-making of the Company was independent, and the large shareholders never interfered the usage of the Company's capital. The Company never offered guarantee to their large shareholders and its subordinate units and other related party. The largest shareholder and its related has never occupy or occupy disguised the capital.

III. Horizontal competition

☐ Applicable ☒ Not applicable

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

1. Annual Shareholders' General Meeting in the report period

| Session of meeting | Type | Ratio of investor participation | Date | Date of disclosure | Index of disclosure |
|--|---|---------------------------------|------------|--------------------|---|
| The First Extraordinary General Shareholders' Meeting of 2019 | Extraordinary General Shareholders' Meeting | 27.20% | 2019-02-27 | 2019-02-28 | Announcement No.: 2019-016 (www.cninfo.com.cn) |
| The Second Extraordinary General Shareholders' Meeting of 2019 | Extraordinary General Shareholders' Meeting | 27.19% | 2019-04-10 | 2019-04-11 | Announcement No.: 2019-025 (www.cninfo.com.cn) |
| Annual General Shareholders' Meeting of 2018 | Annual General Shareholders' Meeting | 27.53% | 2019-05-09 | 2019-05-10 | Announcement No.: 2019-035 (www.cninfo.com.cn) |
| The Third Extraordinary General Shareholders' Meeting of 2019 | Extraordinary General Shareholders' Meeting | 27.13% | 2019-08-21 | 2019-08-22 | Announcement No.: 2019-044 (www.cninfo.com.cn) |
| The Fourth Extraordinary General Shareholders' Meeting of 2019 | Extraordinary General Shareholders' Meeting | 27.60% | 2019-10-10 | 2019-10-11 | Announcement No.: 2019-060 (www.cninfo.com.cn) |
| The Fifth Extraordinary General Shareholders' Meeting of 2019 | Extraordinary General Shareholders' Meeting | 27.65% | 2019-12-26 | 2019-12-27 | Announcement No.: 2019-081 (www.cninfo.com.cn) |

2. The preference shareholders convening the general meeting whose right to vote has been resumed

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors in the report period

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

| The situation of independent directors attending the board of directors and shareholders' meetings | | | | | | | |
|--|--|--------------------------------|---|-----------------------------|------------------|--|-------------------|
| Name of independent director | Times of Board meeting supposed to attend in the report period | Times of Presence on the scene | Times of attending by communication way | Times of entrusted presence | Times of Absence | Whether absent the Meeting for the second time in a row or not | Times of Presence |
| Zhu Qianyu | 12 | 1 | 11 | 0 | 0 | No | 0 |
| Zhan Weizai | 19 | 2 | 17 | 0 | 0 | No | 2 |
| Zhu Guilong | 19 | 2 | 17 | 0 | 0 | No | 4 |
| Jin Qingjun | 7 | 0 | 7 | 0 | 0 | No | 1 |

Explanation of absence for the Board Meeting twice in a row
Not applicable

2. Objection for relevant events from independent directors

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

☐ Yes ☒ No

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

3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors were adopted or not

☒ Yes ☐ No

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

In the report period, independent directors of the Company attended the board meetings and general shareholders' meetings, conscientiously performed their duties, and put forward constructive opinions or suggestions for the development of the Company strictly according to the requirements of the Guidelines for Operation of the Listed Companies on Main Board of Shenzhen Stock Exchange, the Listing Rules of Shenzhen Stock Exchange Stock, the Guidelines for Establishment of Independent Director Mechanism for Listed Companies and the Article of Association. Each independent director seriously deliberated all motions of the board of directors, and gave independent opinions on significant operating management issues, by-election of independent directors, provided entrusted loans, distribution of profits, Equity incentive restricted stock repurchase and unlock, engagement of auditors, internal control construction and so on. The suggestions about the company of the independent directors have been adopted, and they have played an active role in safeguarding the interests of the company and minority shareholders

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

1. Performance of the audit committee of the Board

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

① Deliberate the Company's financial statement and issue opinions

During the reporting period, in accordance with the requirements of the CSRC, the Audit Committee reviewed the relevant annual work plan for the audit of annual reports submitted by certified public accountants before the annual audited certified public accountants entered the market, and provided guidance opinions; At the same time, the basis, principles, and methods for the preparation of the Company's accounting statements are in compliance with the relevant provisions of national laws and regulations, and in all major respects they fairly reflect the financial status of the Company on December 31, 2019 and its operating results in 2019.

② Supervise the audit works conducted by the accountant firm

The Audit Committee communicated with the accounting firms and provides guidance and requirements for the annual financial report audit work and the plans and arrangements for the internal control report audit work. After the CPA came into the audit, the members of the Audit Committee kept close contact with the Company and the main project responsible personnel to understand the progress of the audit work and the concerns of the accountants, and timely

feedback to the company's relevant departments to ensure that the annual audit and information disclosure work was conducted as scheduled.

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

Asia Pacific (Group) CPAs (special general partnership) strictly follows the China Auditing Standards and practices diligently, paying attention to the communication with the management and the audit committee, which reflects strong professional knowledge, good professional ethics and risk awareness. The firm successfully completed the company's 2018 financial statement audit work and internal control audit work, and the audit quality is trustworthy.

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

The remuneration and examination committee of the Board of Directors of the Company is constituted with 4 directors, and 3 of them are independent directors. The convoker is independent director.

① According to regulations of Rules of Procedure of The Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee makes examination on the disclosed remuneration of the directors, supervisors and senior executives and thought it accorded with the relevant laws and regulations of the remuneration and appraisal system of the Company.

② The remuneration and examination committee reviewed the proposals on the allowance of external supervisors and the allowance of external directors (except for the incumbents of shareholder units), and reported the results to the board of directors.

③ The remuneration and examination committee considered a bill to repurchase and cancel some restricted stock under the restricted stock incentive program and reported the results to the Board.

④ The remuneration and examination committee deliberated the matters related to the achievement of the conditions for the lifting of restrictions in the first release period of the company's a-share restricted stock incentive plan in 2017, and reported the results to the board of directors.

3. Performance of the nomination committee of the Board

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

The nominating committee considered the motion on the by-election of the company's eighth independent directors and reported the result to the Board. Nomination committee of the Board performed evaluation on the work of the Board, and believed that the directors of 8th session of the Board abided by the State laws, administrative rules and regulation of Article of Association since they took office. They attended or delegated to attend the Board Meeting and general meeting of shareholders on time, performed voting rights based on relevant regulations, actively kept eyes on the management situation of the Company, and performed the duty of Directors diligently.

4. Performance of the strategy committee of the Board

The strategy committee of the Board of Directors of the Company is constituted with 4 directors, and 1 of them is independent directors.

As the special institution responsible for the long-term development strategy and significant investment decision-making, the strategy committee made earnest research on the significant decisions affecting the Company's

development and issued relevant recommendations according to the procedure rules of the strategy committee. During the reporting period, the strategy committee considered on the profit distribution plan and entrusted loan, and held the view that the major issues above confirm to the requirement of the Company Law, the Enterprise Accounting Principles and the Articles of Association, and agreed to submitted the same to the board and general meeting for consideration. At the same time, the strategy committee considered issues concerning significant operation management, guarantee for controlling subsidiaries, related transaction, and investment projects of the Company, which were submitted to the board for consideration.

VII. Performance of the Supervisory Committee

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

☐ Yes ☒ No

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

VIII. Performance examination and incentives of senior management

In order to maximize the company's operating efficiency, fully mobilize the enthusiasm of the management team to ensure the completion of the company's various operational indicators, the board of directors agreed to adopt an annual salary system for the company's management team. The annual salary system consists of a fixed annual salary and performance bonus. The performance bonus is an incentive income. The company conducts accounting according to the overall business situation and individual assessment. The specific payment rules are implemented according to the company's annual assessment plan. These measures have been implemented since 2018.

IX. Internal Control

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

☐ Yes ☒ No

2. Self-appraisal report of internal control

| | | |
|---|--|--|
| Disclosure date of full text of self-appraisal report of internal control | | Apr. 30, 2020 |
| Disclosure index of full text of self-appraisal report of internal control | | More details found in "Report of Internal Control of CSG for year of 2019" published on Juchao Website (http://www.cninfo.com.cn) |
| The ratio of the total assets of the units included in the scope of evaluation to the total assets of the Company's consolidated financial statements | | 95% |
| The ratio of the operating income of the units included in the scope of evaluation to the operating income of the Company's consolidated financial statements | | 98% |
| Standards of Defects Evaluation | | |
| Category | Financial Reports | Non-financial Reports |
| Qualitative criteria | Major defects: A. Fraud of directors, supervisors and senior management; | Major defects: A. Major decision-making mistakes caused by decision-making process of key business; |

| | | |
|--|---|---|
| | <p>B. Ineffective control environment; C. Invalid internal supervision; D. Major internal control defects found and reported to the management but haven't been corrected after a reasonable time; E. Material misstatements are found by the external audit but haven't been found in the process of internal control; F. Financial reports submitted during the reporting period completely cannot meet the needs and are severely punished by regulatory agencies; G. Other major defects that may affect the report users' correct judgment.</p> <p>Significant defects: A. Defects or invalidation of important financial control procedures; B. Significant misstatements are found by the external audit but haven't been found in the process of internal control; C. Financial reports submitted during the reporting period have mistakes frequently; D. Other significant defects that may affect the report users' correct judgment.</p> <p>Common defects: Other control defects except for major defects and significant defects.</p> | <p>B. Serious violation of state laws and regulations; C. Serious brain drain of senior and middle management and or personnel at key technological posts; D. Major or significant defects found in the internal control evaluation have not been rectified and reformed; E. The company's major negative news frequently appears on media;</p> <p>Significant defects: A. Big deviation of execution caused by executive routine of key business; B. Regulatory authorities impose large amount of fines because the violation of laws and regulations; C. Defects or invalidation of important business' internal control procedures;</p> <p>Common defects: Other control defects except for major defects and significant defects.</p> |
| Quantitative standard | <p>Major defects: A. Amount of net profit affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 3% of net profit and the absolute amount is no less than 30 million yuan; B. Amount of assets and liabilities affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 1% of total assets.</p> <p>Significant defects: A. Amount of net profit affected by misstatements (based on consolidated statements): not belong to major defects and amount affected by misstatements is equal to or greater than 2% of net profit and the absolute amount is no less than 20 million yuan; B. Amount of assets and liabilities affected by misstatements (based on consolidated statements): amount affected by misstatements is equal to or greater than 0.5% of total assets but less than 1% of total assets.</p> <p>Common defects: Defects except for major and significant defects.</p> | <p>Major defects: A. Amount of direct property loss: the direct loss amount is equal to or greater than 30 million yuan; B. Group's reputation: major negative news spreads in numerous business areas or is widely reported by national media and causes significant damages to the corporate reputation which takes more than six months to be restored.</p> <p>Significant defects: A. Amount of direct property loss: the direct loss amount is equal to or greater than 20 million yuan but less than 30 million yuan; B. Group's reputation: negative news spreads inside the industry or is reported or focused by local media and causes certain damages to the corporate reputation which takes more than three months but less than six months to be restored.</p> <p>Common defects: A. Amount of direct property loss: defects except for major and significant defects. B. Group's reputation: negative news spreads within the group and causes minor damages to the corporate reputation which takes less than three months to be restored.</p> |
| Amount of significant defects in financial reports | | 0 |
| Amount of significant defects in non-financial reports | | 0 |

| | |
|--|---|
| Amount of important defects in financial reports | 0 |
| Amount of important defects in non-financial reports | 0 |

X. Audit report of internal control

☒ Applicable ☐ Not applicable

| Deliberations in Internal Control Audit Report | |
|---|---|
| According to Guidelines of Enterprise Internal Control Audit and the relevant requirements of CICPA auditing standards, Asia Pacific (Group) CPAs (special general partnership) (hereinafter referred to as AP) audited the effectiveness of internal control over financial statements of the Company up to 31 December 2019, issued AP Ya-Kuai- A-Zhuan-Zi (2020) No. 0072 Internal Control Audit Report and made the following opinions: AP thought that CSG Holding Co., Ltd. maintained effective internal control over financial statements in all major aspects according to the Fundamental Norms of Enterprise Internal Control and relevant rules on December 31, 2019. | |
| Disclosure of internal control audit report | Disclosure |
| Date of disclosing the internal control audit reports | 30 April 2020 |
| Disclosure index of internal control audit report | More details can be found in 2019 Internal Control Audit Report of CSG released on Juchao Website (http://www.cninfo.com.cn) |
| Type of the auditor's opinion | Standard unqualified opinion |
| Whether there are major flaws in the non-financial report or not | No |

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

☐ Yes ☒ No

A statement of the internal control audit report issued by an accounting firm with non-standard opinions.

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

☒ Yes ☐ No

Section IX. Corporate Bonds

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

Yes

I. Basic information about corporate bonds

| Name | Short name | Bond code | Issue date | Maturity date | Bond balance (RMB 0,000) | Interest rate | Way of repayment of principal and interest |
|---|------------|--|------------------------|---------------|--------------------------|---------------|--|
| CSG Holding Co., Ltd. Public issue of corporate bonds to qualified investors in 2020 (phase I) | 20 CSG 01 | 149079 | 2020-3-24 to 2020-3-25 | 2023-3-25 | 200,000 | 6% | Use simple interest to calculate the annual interest, excluding compound interest. Interest is paid once a year, principal is repaid once due, and the last installment of interest is paid together with the principal. |
| Corporate bond listing or transfer trading place | | Shenzhen Stock Exchange | | | | | |
| Appropriate arrangements for investors | | Corporate bonds shall be publicly issued to qualified institutional investors who have opened qualified A-share securities accounts in the Shenzhen branch of China securities registration and clearing Co., Ltd., in accordance with the provisions of the "measures for the administration of corporate bond issuance and trading". | | | | | |
| Interest payment and encashment of corporate bonds during the reporting period | | The current bond has not entered the interest - paying period. | | | | | |
| Implementation of the special provisions including option and exchangeable terms of issuers or investors attached to corporate bonds and the relevant provisions during the report period (if applicable) | | Not applicable | | | | | |

II. Information of bond trustee and credit rating institution

| | | | | | | | |
|--|-----------------------------|--------------|---|----------------|--------|------|--------------|
| Bond trustee: | | | | | | | |
| Name | Western Securities Co., Ltd | Office adds. | Room 10000, building 8, 319 dongxin street, xincheng district, xi 'an city, shaanxi province | Contact person | Lv Yue | Tel. | 010-68086722 |
| Credit rating institution which tracks rating corporate bonds in the report period: | | | | | | | |
| Name | CCXR | Office adds. | 21 floor, Anji Building, 760 Tibet South Road, Huangpu District, Shanghai | | | | |
| If bond trustee and credit rating institution engaged by the Company changed in the report period, explain the reason of the | | | The bond rating agency China credit securities assessment co., LTD. (hereinafter referred to as "China credit rating") is a wholly owned subsidiary of China credit international credit rating co., LTD. | | | | |

| | |
|--|--|
| change, performance of the procedure, and the impact on the interest of investors etc. (if applicable) | (hereinafter referred to as "China credit international"). According to the notice of China credit international, on February 25, 2020, China credit international received the reply of China securities regulatory commission on the approval of China credit rating international co., Ltd. to engage in the credit rating business of the securities market (license no. [2020] 267). According to this reply, zhongxin international will carry out credit rating business of securities market from February 26, 2020; Credit rating business of credit rating in securities market of credit rating co., LTD., a wholly-owned subsidiary of credit rating international, is inherited by credit rating international. |
|--|--|

III. The use of fund raised by corporate bonds

| | |
|--|---|
| The use of fund raised by corporate bonds and performance of the procedure | The raised fund is in strict accordance with the relevant provisions. |
| Balance at the end of year (RMB0,000) | 0 |
| The operation of the special account for raised fund | The operation of the special account for raised fund is in strictly accordance with the relevant provisions of prospectus commitment. |
| Whether the use of raised fund is consistent with the purpose, plan of use and other agreements of prospectus commitment | Consistent |

Note: By the end of 2019, the Company had not issued corporate bonds.

IV. Information of the rating of corporation bonds

According to CSG Holding Co., Ltd. 2019 corporate bond credit rating report (CCXR [2019] g214-3) issued by China credit rating agency, the main credit rating of the company is AA + and the outlook of the rating is stable. The credit rating of this bond is AA+.

China Credit International will conduct tracking rating during the term of validity of the bonds: it will complete the regular tracking rating of the year within two months after the release of the company's annual report, and disclose the bond tracking rating report of the previous year within six months from the end of each fiscal year according to the listing rules; Issue random tracking ratings as appropriate. The rating results and other relevant information will be published on the website of China credit international (www.ccx.com.cn) and the website of the exchange to draw the attention of investors.

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

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

I. Credit promotion measures

The bonds are unsecured.

II. Debt repayment plan

"20 CSG 01" will pay interest once a year during its duration, and the principal will be repaid once upon maturity. The interest of the last period will be paid together with the repayment of the principal. The payment date of "20 CSG 01" is March 25 of each year from 2021 to 2023, and the payment date is March 25, 2023 (in case of a statutory holiday or rest day, it will be postponed to the first trading day thereafter).

The Company established the annual and monthly plan for application of funds based on the payment arrangement for coming due principal and interest of the corporation bonds, reasonably managed and allocated the funds so as to make sure the due principal and interest be paid in time. The capital sources for paying the corporation bonds in the report period were mainly the cash flow generated by the Company's operating activities and the bank loans. The financial structure of the company remains stable, and the stable cash inflow provides a strong guarantee for the repayment of principal and interest of the company's bonds. The repayment plan has not changed and is consistent with the relevant commitments in the prospectus.

III. Repayment safeguards

In order to fully and effectively maintained the interests of the bondholders, the Company has made a series plans for the timely and sufficient repayment for bonds in the report period, including confirming the specialized departments and personnel, arranging the funds for repayment, strictly implement the use of the raised funds, give full play to the role of bond trustee, Set the rules for bondholders' meetings, strictly fulfill the obligation of information disclosure, so as to Develop a set of safeguards to ensure that bonds are repaid safely

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

No

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

No

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

| RMB 0,000 | | | |
|---|---------|---------|-------------------------------------|
| Item | 2019 | 2018 | Rate of change over the same period |
| Earnings before interest tax depreciation and amortiation | 195,447 | 196,438 | -0.50% |
| Flow rate | 74% | 80% | -6% |
| Assets liabilities rate | 46% | 51% | -5% |
| Speed ratio | 61% | 70% | -9% |
| Total debt ratio of EBITDA | 23% | 20% | 3% |
| Interest coverage ratio | 2.99 | 2.23 | 34.08% |
| Cash interest coverage ratio | 8.91 | 6.70 | 32.99% |
| interest coverage ratio of EBITDA | 5.95 | 4.64 | 28.23% |
| Loan repayment rate | 100% | 100% | |
| interest coverage ratio | 100% | 100% | |

The above accounting data and financial indicators year-on-year change more than 30% of the main reasons

√Applicable □Not applicable

Interest protection multiple: mainly due to the increase of net profit, interest expense reduction

Multiple of cash interest protection: mainly due to the increase of net cash flow from operating activities and the decrease of interest expense

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

On May 4, 2019, the company paid the first installment of the first term medium-term note of 2018 with an annual interest rate of 7% and a total amount of 800 million yuan issued on May 4, 2018.

On July 14, 2019, the company completed the fourth installment of 2015 interim notes issued on July 14, 2015 with a total amount of 1.2 billion yuan and an annual interest rate of 4.94%.

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

During the reporting period, the company's credit standing is good, and it has established a long-term and stable credit business relationship with banking institutions. As of December 31, 2019, the company had obtained 11.403 billion yuan of bank credit, with a quota of 3.63 billion yuan and an available quota of 7.773 billion yuan.

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

No

XII. Major matters occurring during the report period

No

XIII. Whether there is a guarantor of corporate bonds

☐ Yes ☒ No

Section X. Financial Report

I. Report of the Auditors

| | |
|--|---|
| Type of Auditor's Opinion | Standard and unqualified |
| Issue date of Report of the Auditors | 28 April 2020 |
| Name of Auditor's organization | Asia Pacific (Group) CPAs (special general partnership) |
| Reference number of Report of the Auditors | Ya-Kuai- A-Shen-Zi (2020) No. 0638 |
| Name of CPA | Zhao Qingjun, Zhou Xianhong |

Auditor's Report

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

I. Opinion

We have audited the accompanying financial statements of CSG Holding Co., Ltd. (hereinafter "the Company"), which comprise the Separate/Consolidated Statements of Financial Position as at 31 December 2019, and the Separate/Consolidated Statements of profit or loss, the Separate/Consolidated Statements of changes in equity and the Separate/Consolidated Statements of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of the Company as at Dec. 31, 2019 and the consolidated and parent business performance and cash flow of the Company for 2019.

II. Basis of Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibility is to express an opinion on these financial statements based on our audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

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

I) Impairment of assets

1. Matter description

As disclosed in the financial report, by 31st December 2019 , Impairment provision for construction in progress of The Company was RMB 462.33 million, Impairment provision the fixed assets was RMB 396.01 million. As the domestic market is highly competitive in the polycrystalline silicon industry,the management of the company identified and conducted impairment tests for some related assets which show a sign of impairment. During the test, the management has engaged an independent valuer to assist in the identification and valuation of the recoverable amount of relevant asset and compared it with the book value of the corresponding assets. The results showed that the recoverable amount of related assets was lower than its book value. According to the differences in amount, the provision for impairment of fixed assets and construction in progress should be noted by the company. The impairment test involves confirming key parameters including discount rate and assumptions for future administration, such as the revenue growth rate, the gross profit margin etc. Due to the procedure of related assets impairment involved significant decisions and predictions made by the management team, we therefore have confirmed this as a key audit matter.

2. Countermeasures of Audit

1 Understood and evaluated the effectiveness of design and operation of the internal control system of the fixed assets and the construction in progress;

2 Evaluated management's identification of the relevant asset groups assertions and the amount of assets allocated to each asset group;

3 Reviewed the management's process of identifying the signs of impairment of related assets and assessed the reasonableness of their judgments;

4 Obtained and reviewed the report of assets impairment issued by the external valuer, and assessed the independence, professional competency and objectivity of the independent valuer;

5 Discussed with the management, compared and analyzed historical data and industry level of relevant asset groups; evaluated key assumptions and assessed its rationality, including the key parameters for obtaining significant management

estimates and judgments, such as the revenue growth rate, the gross profit margin, the expense growth rate and the discount rate etc.;

6 Checked the asset in field survey and understood the use of relevant asset and Reviewed relevant disclosures in the presentation of financial statements.

II) Provision of Impairment in goodwill

1. Matter description

As disclosed in the report: by 31st December 2019, the goodwill of The Company is the originally valued at RMB 397.39 million, mainly included goodwill RMB 389.49 million from the acquisition of Shenzhen CSG Display Device Technology Co., Ltd. The management is required to annually perform the impairment test for goodwill. In this year's test, the management has engaged an independent valuer to assist in the identification and valuation of the recoverable amount of asset groups. The management tests goodwill for impairment by estimating the recoverable amount of the asset groups that goodwill is allocated to, and then comparing these recoverable amounts with the carrying value of those asset groups and goodwill. The result of the impairment test indicated that the recoverable amount of the relevant asset groups of goodwill is lower than the book value, and the provision for goodwill impairment should be noted by company. As the goodwill impairment test involved a complex process and the significant judgments of the company's management, we consider this matter as key audit matters.

2. Countermeasures of Audit

1 Understood and evaluated the effectiveness of design and operation of the internal control system of the provision of impairment in goodwill;

2 Compared the relevant asset groups actual results in 2019 with their corresponding estimates made in the prior year to evaluate the reliability of the management's estimates on cash flows;

3 Obtained and reviewed the report of goodwill impairment issued by the external valuer, and assessed the independence, professional competency and objectivity of the independent valuer;

4 Discussed with the management, compared and analyzed historical data and industry level of relevant asset groups; evaluated key assumptions and assessed its rationality, including the key parameters for obtaining significant management estimates and judgments, such as the revenue growth rate, the gross profit margin, the expense growth rate and the discount rate etc.

5 Checked whether the goodwill was allocated to each of the cash-generating units in a reasonable methods; Checked the goodwill impairment test model calculation accuracy ;

6 Checked whether the impairment of goodwill have been properly presented and disclosed in the financial statements as required.

IV. Other information

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

Our audit opinion on financial statements does not include other information; we will not make the authentication conclusion on other information in any form.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the *Accounting Standards for Business Enterprises*, and for such internal control as management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, the management layer is responsible for assessing the company's sustained business capability, disclosing matters related to continue operating, using the going-concern assumption unless management either intends.

to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is the high-level assurance, but it can't assure that a certain major misstatement can be always found when auditing according to the audit standard. The misstatement may be caused by malpractices or error. If the misstatements within the rational expectations may affect the economic decision of the financial statement user according to the financial statement, it shall be deemed that the misstatement is significant.

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

Asia-Pacific (Group)
Certified Public Accountants
(special general partnership)

Certified Public Accountant of China

Beijing, China
28 April 2020

Certified Public Accountant of China

CSG HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY'S BALANCE SHEETS
AS AT 31 DECEMBER 2019**

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

| | | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
|------------------------------------|------------|------------------|------------------|------------------|------------------|
| ASSETS | Note | Consolidated | Consolidated | Company | Company |
| Current assets | | | | | |
| Cash at bank and on hand | 4(1) | 1,986,980,418 | 2,226,447,720 | 1,560,798,731 | 1,700,726,151 |
| Notes receivable | 4(2) | 297,023,380 | 719,375,448 | - | - |
| Accounts receivable | 4(3) | 649,681,177 | 592,233,312 | - | - |
| Receivables Financing | 4(4) | 258,296,826 | - | - | - |
| Advances to suppliers | 4(5) | 78,196,027 | 91,176,675 | 1,799,222 | 438,167 |
| Other receivables | 4(6)/17(1) | 202,854,864 | 207,424,295 | 3,179,500,967 | 2,912,516,245 |
| Inventories | 4(7) | 812,321,690 | 600,139,750 | - | - |
| Assets classified as held for sale | | - | 45,983,520 | - | - |
| Other current assets | 4(8) | 447,995,931 | 445,327,449 | 300,000,000 | 300,000,000 |
| Total current assets | | 4,733,350,313 | 4,928,108,169 | 5,042,098,920 | 4,913,680,563 |
| Non-current assets | | | | | |
| Long-term receivables | 17(3) | - | - | 1,200,000,000 | 1,200,000,000 |
| Long-term equity investments | 17(2) | - | - | 5,079,465,574 | 4,964,696,831 |
| Fixed assets | 4(9) | 9,783,037,301 | 9,930,843,775 | 19,550,442 | 20,926,071 |
| Construction in progress | 4(10) | 1,902,140,035 | 2,559,179,442 | - | - |
| Intangible assets | 4(11) | 1,044,826,287 | 1,035,731,324 | 370,484 | 879,146 |
| Development expenditure | 4(11) | 85,240,356 | 74,549,257 | - | - |
| Goodwill | 4(12) | 315,097,756 | 376,720,156 | - | - |
| Long-term prepaid expenses | | 11,351,431 | 12,746,609 | - | - |
| Deferred tax assets | 4(13) | 205,792,587 | 139,529,518 | - | - |
| Other non-current assets | 4(14) | 120,399,893 | 56,825,934 | 1,407,535 | 732,038 |
| Total non-current assets | | 13,467,885,646 | 14,186,126,015 | 6,300,794,035 | 6,187,234,086 |
| TOTAL ASSETS | | 18,201,235,959 | 19,114,234,184 | 11,342,892,955 | 11,100,914,649 |

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S BALANCE SHEETS (CONT'D)
AS AT 31 DECEMBER 2019

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

| | | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
|--|-----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| LIABILITIES AND OWNERS' EQUITY | Note | Consolidated | Consolidated | Company | Company |
| Current liabilities | | | | | |
| Short-term borrowings | 4(16) | 2,240,969,137 | 2,922,679,590 | 1,687,000,000 | 2,000,000,000 |
| Notes payable | 4(17) | 232,063,968 | 105,150,000 | 170,000,000 | - |
| Accounts payable | 4(18) | 1,100,531,779 | 1,209,859,263 | 236,346 | 261,024 |
| Advances from customers | 4(19) | 292,803,811 | 206,631,008 | - | - |
| Employee benefits payable | 4(20) | 337,866,246 | 266,459,151 | 53,040,982 | 41,096,020 |
| Taxes payable | 4(21) | 115,425,044 | 111,967,365 | 2,901,358 | 1,099,231 |
| Other payables | 4(22) /17(4) | 351,374,775 | 552,751,187 | 1,643,156,452 | 1,668,587,218 |
| Current portion of non-current liabilities | 4(23) | 1,712,456,928 | 819,448,742 | 1,200,000,000 | - |
| Other current liabilities | | 300,000 | 300,000 | - | - |
| Total current liabilities | | 6,383,791,688 | 6,195,246,306 | 4,756,335,138 | 3,711,043,493 |
| Non-current liabilities | | | | | |
| Long-term borrowings | 4(24) | 1,320,225,000 | 2,315,700,000 | 1,130,000,000 | 2,000,000,000 |
| Long-term payables | 4(25) | 87,240,529 | 529,910,796 | - | - |
| Deferred tax liabilities | 4(13) | 30,197,657 | 22,118,840 | - | - |
| Deferred income | 4(26) | 513,925,557 | 601,825,780 | 182,386,537 | 184,642,520 |
| Total non-current liabilities | | 1,951,588,743 | 3,469,555,416 | 1,312,386,537 | 2,184,642,520 |
| Total liabilities | | 8,335,380,431 | 9,664,801,722 | 6,068,721,675 | 5,895,686,013 |
| Shareholders' equity | | | | | |
| Share capital | 4(27) | 3,106,915,005 | 2,863,277,201 | 3,106,915,005 | 2,863,277,201 |
| Capital surplus | 4(28) | 683,219,358 | 1,095,339,421 | 828,046,672 | 1,240,166,735 |
| Less: Treasury shares | 4(29) | (118,066,397) | (277,180,983) | (118,066,397) | (277,180,983) |
| Other comprehensive income | 4(30) | 6,565,864 | 5,080,234 | - | - |
| Special reserve | 4(31) | 11,102,921 | 6,068,600 | - | - |
| Surplus reserve | 4(32) | 946,251,286 | 924,305,375 | 960,796,646 | 938,850,735 |
| Undistributed profits | 4(33) | 4,859,600,841 | 4,486,264,723 | 496,479,354 | 440,114,948 |
| Total equity attributable to shareholders of parent company | | 9,495,588,878 | 9,103,154,571 | 5,274,171,280 | 5,205,228,636 |
| Minority interests | | 370,266,650 | 346,277,891 | - | - |
| Total shareholders' equity | | 9,865,855,528 | 9,449,432,462 | 5,274,171,280 | 5,205,228,636 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 18,201,235,959 | 19,114,234,184 | 11,342,892,955 | 11,100,914,649 |

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

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

CSG HOLDING CO., LTD.

**CONSOLIDATED AND COMPANY'S INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

| Item | Note | 2019 Consolidated | 2018 Consolidated | 2019 Company | 2018 Company |
|--|-------|----------------------|----------------------|-----------------|-----------------|
| Revenue | 4(34) | 10,472,028,099 | 10,609,963,011 | 82,205,712 | 58,900,937 |
| Less: Cost of sales | 4(34) | (7,743,129,614) | (8,120,481,894) | - | - |
| Taxes and surcharges | 4(35) | (115,813,768) | (140,424,851) | (639,077) | (516,457) |
| Selling and distribution expenses | 4(36) | (389,269,235) | (354,983,459) | - | - |
| General and administrative expenses | 4(37) | (602,590,650) | (731,215,251) | (131,340,380) | (177,600,771) |
| Research and development expenses | 4(38) | (366,871,283) | (338,791,891) | (794,864) | (7,601) |
| Financial expenses - net | 4(39) | (290,417,403) | (349,403,487) | (121,920,540) | (76,503,819) |
| Including: interest expenses | | (319,591,750) | (401,627,067) | (151,864,568) | (131,665,668) |
| Interest income | | 36,942,509 | 61,857,535 | 32,612,794 | 57,796,521 |
| Add: Other Income | 4(41) | 184,131,420 | 94,618,039 | 3,775,711 | 2,049,664 |
| Investment income | 17(5) | - | - | 390,105,325 | 231,537,607 |
| Credit impairment loss | 4(42) | (20,114,033) | - | - | - |
| Asset impairment loss | 4(43) | (463,324,685) | (136,546,150) | 51,454 | (22,950) |
| Income on disposal assets | 4(44) | (909,968) | (454,368) | 502,000 | 2,440 |
| Operating profit | | 663,718,880 | 532,279,699 | 221,945,341 | 37,839,050 |
| Add: Non-operating revenue | 4(45) | 7,827,834 | 13,858,651 | 2,403,225 | 134,006 |
| Less: Non-operating expenses | 4(46) | (9,440,087) | (1,541,471) | (4,889,460) | (243,265) |
| Total profit | | 662,106,627 | 544,596,879 | 219,459,106 | 37,729,791 |
| Less: Income tax (expenses)/revenue | 4(47) | (101,687,050) | (72,388,291) | - | (599,358) |
| Net profit | | 560,419,577 | 472,208,588 | 219,459,106 | 37,130,433 |
| Classified by continuous operation: | | | | | |
| Net income from continuing operations (" - " for netloss) | | 560,419,577 | 472,208,588 | 219,459,106 | 37,130,433 |
| Net income from discontinued operations (" - " for netloss) | | - | - | - | - |
| Classified by equity ownership: | | | | | |
| Attributable to shareholders of parent company | | 536,430,818 | 452,965,935 | - | - |
| Minority interests | | 23,988,759 | 19,242,653 | - | - |
| Other comprehensive income net after tax | | 1,485,630 | 3,131,291 | - | - |
| Other comprehensive income net after tax attributable to shareholders of parent company | | 1,485,630 | 3,131,291 | - | - |
| Other comprehensive income items which will be reclassified subsequently to profit or loss | | 1,485,630 | 3,131,291 | - | - |
| Differences on translation of foreign currency financial statements | | 1,485,630 | 3,131,291 | - | - |
| Other comprehensive income net after tax attributable to minority interests | | - | - | - | - |
| Total comprehensive income | | 561,905,207 | 475,339,879 | 219,459,106 | 37,130,433 |
| Total comprehensive income attributable to shareholders of parent company | | 537,916,448 | 456,097,226 | | |
| Total comprehensive income attributable to minority interests | | 23,988,759 | 19,242,653 | | |
| Earnings per share | 4(48) | | | | |
| Basic earnings per share (RMB Yuan) | 4(48) | 0.17 | 0.15 | | |
| Diluted earnings per share (RMB Yuan) | 4(48) | 0.17 | 0.14 | | |

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

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

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY'S CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

| Item | Note | 2019 Consolidated | 2018 Consolidated | 2019 Company | 2018 Company |
|---|----------|----------------------|----------------------|-----------------|-----------------|
| 1. Cash flows from operating activities | | | | | |
| Cash received from sales of goods or rendering of services | | 11,615,107,734 | 11,788,692,400 | 74,350,543 | 61,224,074 |
| Refund of taxes and surcharges | | 24,913,216 | 82,340,672 | 582,881 | - |
| Cash received relating to other operating activities | 4(49)(a) | 158,462,125 | 215,823,594 | 51,436,379 | 62,104,734 |
| Sub-total of cash inflows | | 11,798,483,075 | 12,086,856,666 | 126,369,803 | 123,328,808 |
| Cash paid for goods and services | | (6,831,844,733) | (7,251,436,467) | - | - |
| Cash paid to and on behalf of employees | | (1,316,636,342) | (1,316,396,954) | (109,657,156) | (96,333,808) |
| Payments of taxes and surcharges | | (667,769,135) | (784,858,705) | (2,766,954) | (3,313,177) |
| Cash paid relating to other operating activities | 4(49)(b) | (603,196,545) | (603,786,440) | (34,547,014) | (31,902,035) |
| Sub-total of cash outflows | | (9,419,446,755) | (9,956,478,566) | (146,971,124) | (131,549,020) |
| Net cash flows from/(used in) operating activities | | 2,379,036,320 | 2,130,378,100 | (20,601,321) | (8,220,212) |
| 2. Cash flows from investing activities | | | | | |
| Cash received from returns on investments | | - | - | 390,105,325 | 231,537,607 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | 940,791 | 4,272,239 | 2,000 | 2,440 |
| Cash received relating to other investing activities | 4(49)(c) | 36,649,460 | 31,055,318 | - | - |
| Sub-total of cash inflows | | 37,590,251 | 35,327,557 | 390,107,325 | 231,540,047 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | | (715,488,350) | (695,872,456) | (5,044,017) | (6,675,786) |
| Cash paid to acquire investments | | - | - | (131,402,000) | (72,000,000) |
| Cash paid relating to other investing activities | 4(49)(d) | (55,177,375) | (118,263,080) | (86,952) | (45,168) |
| Sub-total of cash outflows | | (770,665,725) | (814,135,536) | (136,532,969) | (78,720,954) |
| Net cash flows (used in)/from investing activities | | (733,075,474) | (778,807,979) | 253,574,356 | 152,819,093 |
| 3. Cash flows from financing activities | | | | | |
| Cash received from capital contributions | | - | 36,161,814 | - | 36,161,814 |
| Including: Cash received from capital contributions by minority shareholders of subsidiaries | | - | - | - | - |
| Cash received from borrowings | | 3,271,013,352 | 4,636,519,062 | 2,675,000,000 | 3,340,000,000 |
| Cash received relating to other financing activities | 4(49)(e) | 200,000,000 | - | - | 44,696,063 |
| Sub-total of cash inflows | | 3,471,013,352 | 4,672,680,876 | 2,675,000,000 | 3,420,857,877 |
| Cash repayments of borrowings | | (3,712,064,157) | (4,737,952,772) | (2,658,000,000) | (3,320,000,000) |
| Cash payments for interest expenses and distribution of dividends or profits | | (468,314,362) | (503,060,429) | (232,336,010) | (225,366,612) |
| Including: Cash payments for dividends to minority shareholders of subsidiaries | | - | - | - | - |
| Cash payments relating to other financing activities | 4(49)(f) | (1,330,791,703) | (1,020,125,951) | (309,952,407) | - |
| Sub-total of cash outflows | | (5,511,170,222) | (6,261,139,152) | (3,200,288,417) | (3,545,366,612) |
| Net cash flows (used in)/from financing activities | | (2,040,156,870) | (1,588,458,276) | (525,288,417) | (124,508,735) |
| 4. Effect of foreign exchange rate changes on cash | | 904,141 | 2,261,903 | 16,911 | (1,248,202) |
| 5. Net increase/(decrease) in cash and cash equivalents | 4(50)(b) | (393,291,883) | (234,626,252) | (292,298,471) | 18,841,944 |
| Add: Cash and cash equivalents at beginning of year | | 2,225,126,913 | 2,459,753,165 | 1,699,514,334 | 1,680,672,390 |
| 6. Cash and cash equivalents at end of year | 4(50)(c) | 1,831,835,030 | 2,225,126,913 | 1,407,215,863 | 1,699,514,334 |

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

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

CSG HOLDING CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

| Item | Note | Attributable to shareholders of parent company | | | | | | | Sub-total | Minority interests | Total shareholders' equity |
|--|-------|--|-----------------|---------------------|-----------------------------|-----------------|-----------------|-----------------------|---------------|--------------------|----------------------------|
| | | Share capital | Capital surplus | Less:Treasury share | Other comprehens ive income | Special reserve | Surplus reserve | Undistributed profits | | | |
| | | 4(27) | 4(28) | 4(29) | 4(30) | 4(31) | 4(32) | 4(33) | | | |
| Balance at 1 January 2018 | | 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 |
| Movements for the year ended 31 December 2018 | | | | | | | | | | | |
| Total comprehensive income | | | | | | | | | | | |
| Net profit | | - | - | - | - | - | - | 452,965,935 | 452,965,935 | 19,242,653 | 472,208,588 |
| Other comprehensive income | 4(30) | - | - | - | 3,131,291 | - | - | - | 3,131,291 | - | 3,131,291 |
| Total comprehensive income | | - | - | - | 3,131,291 | - | - | 452,965,935 | 456,097,226 | 19,242,653 | 475,339,879 |
| Capital contributionandwithdrawal by shareholders | | 6,507,523 | 161,579,787 | 140,168,896 | - | - | - | - | 308,256,206 | 6,000,000 | 314,256,206 |
| Share-based payments | | - | - | - | - | - | - | - | - | 6,000,000 | 6,000,000 |
| Shareholders' Interest-free borrowing | | 6,507,523 | 161,579,787 | 140,168,896 | - | - | - | - | 308,256,206 | - | 308,256,206 |
| Profit distribution | | - | - | - | - | - | 3,713,043 | (126,343,439) | (122,630,396) | - | (122,630,396) |
| Appropriation to surplus reserve | 4(32) | - | - | - | - | - | 3,713,043 | (3,713,043) | - | - | - |
| Distribution to the shareholders | 4(33) | - | - | - | - | - | - | (122,630,396) | (122,630,396) | - | (122,630,396) |
| Special reserve | | - | - | - | - | 2,843,662 | - | - | 2,843,662 | - | 2,843,662 |
| Special reserve appropriate | 4(31) | - | - | - | - | 8,319,885 | - | - | 8,319,885 | - | 8,319,885 |
| Special reserve used | 4(31) | - | - | - | - | (5,476,223) | - | - | (5,476,223) | - | (5,476,223) |
| Internal transfer of shareholders' equity | | 372,622,131 | (372,622,131) | - | - | - | - | - | - | - | - |
| Capital reserve to share capital | | 372,622,131 | (372,622,131) | - | - | - | - | - | - | - | - |
| Balance at 31 December 2018 | | 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 |

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

| Item | Note | Attributable to shareholders of parent company | | | | | | | Minority interests | Total shareholders' equity | |
|--|-------|--|--------------------------|------------------------------|--|-----------------------------|-----------------------------|-----------------------------------|--------------------|----------------------------|---------------|
| | | Share capital 4(27) | Capital surplus 4(28) | Less:Treasury share 4(29) | Other comprehens ive income 4(30) | Special reserve 4(31) | Surplus reserve 4(32) | Undistributed profits 4(33) | | | Sub-total |
| Balance at 1 January 2019 | | 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 |
| Movements for the year ended 31 December 2019 | | | | | | | | | | | |
| Total comprehensive income | | | | | | | | | | | |
| Net profit | | - | - | - | - | - | - | 536,430,818 | 536,430,818 | 23,988,759 | 560,419,577 |
| Other comprehensive income | 4(30) | - | - | - | 1,485,630 | - | - | - | 1,485,630 | - | 1,485,630 |
| Total comprehensive income | | - | - | - | 1,485,630 | - | - | 536,430,818 | 537,916,448 | 23,988,759 | 561,905,207 |
| Capital increase or decrease from shareholder | | (38,925,482) | (129,556,777) | 159,114,586 | - | - | - | - | (9,367,673) | - | (9,367,673) |
| Share-based payments | | (38,925,482) | (129,556,777) | 159,114,586 | - | - | - | - | (9,367,673) | - | (9,367,673) |
| Profit distribution | | - | - | - | - | - | 21,945,911 | (163,094,700) | (141,148,789) | - | (141,148,789) |
| Appropriation to surplus reserve | 4(32) | - | - | - | - | - | 21,945,911 | (21,945,911) | - | - | - |
| Distribution to the shareholders | 4(33) | - | - | - | - | - | - | (141,148,789) | (141,148,789) | - | (141,148,789) |
| Special reserve | | - | - | - | - | 5,034,321 | - | - | 5,034,321 | - | 5,034,321 |
| Special reserve appropriate | 4(31) | - | - | - | - | 7,293,766 | - | - | 7,293,766 | - | 7,293,766 |
| Special reserve used | 4(31) | - | - | - | - | (2,259,445) | - | - | (2,259,445) | - | (2,259,445) |
| Internal transfer of shareholders' equity | | 282,563,286 | (282,563,286) | - | - | - | - | - | - | - | - |
| Capital reserve to share capital | | 282,563,286 | (282,563,286) | - | - | - | - | - | - | - | - |
| Balance at 31 December 2019 | | 3,106,915,005 | 683,219,358 | (118,066,397) | 6,565,864 | 11,102,921 | 946,251,286 | 4,859,600,841 | 9,495,588,878 | 370,266,650 | 9,865,855,528 |

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

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

CSG HOLDING CO., LTD.

COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019(All amounts in RMB Yuan unless otherwise stated)
[English translation for reference only]

| Item | Attributable to shareholders of parent company | | | | | Total shareholders' equity |
|--|--|-----------------|----------------------|-----------------|-----------------------|----------------------------|
| | Share capital | Capital surplus | Less: Treasury share | Surplus reserve | Undistributed profits | |
| Balance at 1 January 2018 | 2,484,147,547 | 1,451,209,079 | (417,349,879) | 935,137,692 | 529,327,954 | 4,982,472,393 |
| Movements for the year ended 31 December 2018 | | | | | | |
| Total comprehensive income | | | | | | |
| Net profit | - | - | - | - | 37,130,433 | 37,130,433 |
| Total comprehensive income | - | - | - | - | 37,130,433 | 37,130,433 |
| Capital increase or decrease from shareholder | 6,507,523 | 161,579,787 | 140,168,896 | - | - | 308,256,206 |
| Share-based payments | 6,507,523 | 161,579,787 | 140,168,896 | - | - | 308,256,206 |
| Profit distribution | - | - | - | 3,713,043 | (126,343,439) | (122,630,396) |
| Appropriation to surplus reserve | - | - | - | 3,713,043 | (3,713,043) | - |
| Distribution to the shareholders | - | - | - | - | (122,630,396) | (122,630,396) |
| Capital reserve to share capital | 372,622,131 | (372,622,131) | - | - | - | - |
| Balance at 31 December 2018 | 2,863,277,201 | 1,240,166,735 | (277,180,983) | 938,850,735 | 440,114,948 | 5,205,228,636 |
| Balance at 1 January 2019 | 2,863,277,201 | 1,240,166,735 | (277,180,983) | 938,850,735 | 440,114,948 | 5,205,228,636 |
| Movements for the year ended 31 December 2019 | | | | | | |
| Total comprehensive income | | | | | | |
| Net profit | - | - | - | - | 219,459,106 | 219,459,106 |
| Total comprehensive income | - | - | - | - | 219,459,106 | 219,459,106 |
| Capital increase or decrease from shareholder | (38,925,482) | (129,556,777) | 159,114,586 | - | - | (9,367,673) |
| Share-based payments | (38,925,482) | (129,556,777) | 159,114,586 | - | - | (9,367,673) |
| Profit distribution | - | - | - | 21,945,911 | (163,094,700) | (141,148,789) |
| Appropriation to surplus reserve | - | - | - | 21,945,911 | (21,945,911) | - |
| Distribution to the shareholders | - | - | - | - | (141,148,789) | (141,148,789) |
| Capital reserve to share capital | 282,563,286 | (282,563,286) | - | - | - | - |
| Balance at 31 December 2019 | 3,106,915,005 | 828,046,672 | (118,066,397) | 960,796,646 | 496,479,354 | 5,274,171,280 |

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

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

1 General information

CSG Holding Co.,LTD (the “Company”) was incorporated in September 1984, known as China South Glass Company, as a joint venture enterprise by Hong Kong China Merchants Shipping Co.,LTD (香港招商局轮船股份有限公司), Shenzhen Building Materials Industry Corporation (深圳建筑材料工业集团公司), China North Industries Corporation (中国北方工业深圳公司) and Guangdong International Trust and Investment Corporation (广东国际信托投资公司). The Company was registered in Shenzhen, Guangdong Province of the People's Republic of China and its headquarters is located in Shenzhen, Guangdong Province of the People's Republic of China. The Company issued RMB-denominated ordinary shares (“A-share”) and foreign shares (“B-share”) publicly in October 1991 and January 1992 respectively, and was listed on Shenzhen Stock Exchange on February 1992. As at 31 December 2019, the registered capital was RMB3,106,915,005, with nominal value of RMB1 per share.

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

Details on the majors subsidiaries included in the consolidated scope in current year were stated in Note 6(1).

The financial statements were authorised for issue by the Board of Directors on 28 April 2020.

2 Summary of significant accounting policies and accounting estimates

The Group determines its specific accounting policies and accounting estimates to manufacturing and operation feature. It mainly reflected in expected credit impairment losses of receivables was measured(Note 2(9)), inventory costing method (Note 2(10)), amortisation of property,plant and equipment and intangible assets (Note2(12) and(15)), criteria for determining capitalised development expenditure (Note 2(5)), and timing for revenue recognition (Note 2(22)).

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

(1) Basis of preparation

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

As at 31 December 2019, the Group current liabilities exceed current assets about RMB1.65 billion and committed capital expenditure of about RMB 0.492 billion (Note 11(1)). The directors of the Company has assessed the following facts and conditions: a) the Group has been able to generate positive operating cash flows in prior years and expect to do so in the next 12 months, and in 2019, the net cash inflow from operation activities is approximately RMB2.379billion; b) the Group has maintained good relationship with banks, so the Group has been able to successfully renew the bank facilities upon the expiry. As at 31 December 2019, the Group had unutilised banking facilities of approximately RMB7.773billion, among which long-term banking facilities were about RMB1.094 billion. In addition, the shareholder of the Group or other appointed related parties are willing to provide the Group with RMB2 billion interest-free loan. The Group also has other sources of financing, such as issuing short-term bonds, ultra-short-term financing bonds, medium-term notes and issue corporate bonds. The board of directors of view that the banking facilities and shareholder's support above can meet the funding requirements of the Group's debt servicing and capital commitment.

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

(1) Basis of preparation(Cont'd)

Accordingly, the directors of the Company had adopted the going concern basis in the preparation of the financial statements of the Company and the Group.

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

The financial statements of the Company for the year ended 31 December 2019 are in compliance with the *Accounting Standards for Business Enterprises*, and truly and completely present the financial position of the consolidated and the Company as at 31 December 2019 and their financial performance, cash flows for the year then ended.

(3) Accounting year

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

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) 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

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

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

ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

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

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

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

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

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency transaction

(a) Foreign currency transaction

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

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

(8) Foreign currency transaction(Cont'd)

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

(b) Translation of foreign currency financial statements

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

(9) Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

(a) Financial assets

(i) Classification and measurement

Based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, financial assets are classified as: (1) financial assets at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

The financial assets are measured at fair value at initial recognition. Related transaction costs that are attributable to the acquisition of the financial assets are included in the initially recognised amounts, except for the financial assets at fair value through profit or loss, the related transaction costs of which are recognised directly in profit or loss for the current period. Accounts receivable or notes receivable arising from sales of products or rendering of services (excluding or without regard to significant financing components) are initially recognised at the consideration that is entitled to be charged by the Group as expected.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the perspective of the issuer, and are measured in the following ways.

Measured at amortised cost

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows, and the contractual cash flow characteristics are consistent with a

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

(9) Financial instrument (Cont'd)

basic lending arrangement, which gives rise on specified dates to the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The interest income of such financial assets is recognised using the effective interest method. Such financial assets mainly comprise cash at bank and on hand, placements with and loans to banks and other financial institutions measured at amortised cost, notes receivable, accounts receivable, factoring receivables, loans and advances, other receivables and long-term receivables. Long-term receivables that are due within one year (inclusive) as from the balance sheet date are included in the current portion of non-current assets.

Financial assets at fair value through other comprehensive income:

The objective of the Group's business model is to hold the financial assets to collect the contractual cash flows and selling as target, and the contractual cash flow characteristics are consistent with a basic lending arrangement. Such financial assets are measured at fair value and their changes are included in other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated by the effective interest rate method are all included in the current profit and loss. Such financial assets mainly comprise receivable financing and other financial debt investment. Other financial debt investment that are due within one year (inclusive) as from the balance sheet date are included in the current portion as other current assets.

Measured at fair value through profit or loss:

Debt instruments

held by the Group that are not divided into those at amortised cost, or those measured at fair value through other comprehensive income, are measured at fair value through profit or loss and included in financial assets held for trading. At initial recognition, the Group designates a portion of financial assets as at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch. Financial assets that are due within one year (inclusive) as from the balance sheet date and are expected to be held over one year are included in other non-current financial assets.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading are designated as financial assets at fair value through other comprehensive income under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

(ii) Impairment

The Group confirms the loss provision based on expected credit losses for financial assets measured at amortised cost.

Giving consideration to reasonable and supportable information on past events, current conditions and forecasts of future economic conditions, as well as the default risk weight, the expected credit loss was confirmed.

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

(9) Financial instrument (Cont'd)

As at each balance sheet date, the expected credit losses of financial instruments at different stages are measured respectively. 12-month ECL provision is recognised for financial instruments in Stage 1 that have not had a significant increase in credit risks since initial recognition; lifetime ECL provision is recognised for financial instruments in Stage 2 that have had a significant increase in credit risk yet without credit impairment since initial recognition; and lifetime ECL provision is recognised for financial instruments in Stage 3 that have had credit impairment since initial recognition.

For the financial instruments with lower credit risk on the balance sheet date, the Group assumes there is no significant increase in credit risks since initial recognition and recognises the 12-month ECL provision.

For the financial instruments in Stage 1, Stage 2 and with lower credit risk, the Group calculates the interest income by applying the effective interest rate to the gross carrying amount (before deduction of the impairment provision). For the financial instruments in Stage 3, the interest income is calculated by applying the effective interest rate to the amortised cost (after deduction of the impairment provision from the gross carrying amount).

For notes and accounts receivables and factoring receivables arising from daily business activities such as selling commodities and providing labor services, the Group recognises the lifetime expected credit loss provision regardless of whether there exists a significant financing component

In case the expected credit losses of an individually assessed financial asset cannot be evaluated with reasonable cost, the Group divides the receivables into certain groupings based on credit risk characteristics, and calculates the expected credit loss for the groupings. Basis for determined groupings and method for provision are as follows:

| | | |
|----------------------------------|---------------------------------|-----------------------------|
| Notes receivables Portfolio 1 | Bank acceptance notes | Expected credit loss method |
| Notes receivables Portfolio 2 | Trade acceptance Notes | Expected credit loss method |
| Accounts receivables Portfolio 1 | Receivables related third party | Expected credit loss method |
| Accounts receivables Portfolio 2 | Receivables related party | Expected credit loss method |
| Other receivables Portfolio 1 | Receivables related third party | Expected credit loss method |
| Other receivables Portfolio 2 | Receivables related party | Expected credit loss method |

For notes and accounts receivables and receivable financing arising from daily business activities such as selling commodities and providing labor services, the Group refers to historical credit loss experience, combined with current conditions and predictions of future economic conditions. In addition to notes receivable, factoring receivables and other receivables classified as a combination, the Group refers to historical credit loss experience, combines current conditions and predictions of future economic conditions, and passes default risk exposure and future 12 The expected credit loss rate within a month or the entire duration is calculated as the expected credit loss.

The Group recognises the loss provision made or reversed into profit or loss for the current period. For debt instruments that are held at fair value and whose changes are included in other comprehensive income, the Group adjusts other comprehensive income while accounting for impairment losses or gains in the current profit or loss.

(iii) Derecognition

A financial asset is derecognised when any of the below criteria is met: (1) the contractual right to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred

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

(9) Financial instrument (Cont'd)

and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

When a financial asset is derecognised, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that are previously recognised directly in other comprehensive income is recognised in profit or loss for the current period, except for those as investments in equity instruments, the difference aforementioned is recognised in retained earnings instead.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost and financial liabilities at fair value through profit or loss at initial recognition.

The Group's financial liabilities are mainly mainly comprise financial liabilities at amortised cost, including bills payable, accounts payable, and other payables. This type of financial liability is initially measured at its fair value after deducting transaction costs, and is subsequently measured using the actual interest rate method. If the maturity is less than one year (including one year), it is listed as

current liabilities; if the maturity is more than one year but matures within one year (including one year) from the balance sheet date, it is listed as non-expiring within one year Current liabilities; the rest are listed as non-current liabilities.

A financial liability is derecognised or partly derecognised when the underlying present obligation is discharged or partly discharged. The difference between the carrying amount of the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In valuation, the Group adopts valuation techniques applicable in the current situation and supported by adequate available data and other information, selects inputs with the same characteristics as those of assets or liabilities considered in relevant transactions of assets or liabilities by market participants, and gives priority to the use of relevant observable inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

(10) 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.

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

(10) Inventories(Cont'd)

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

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

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

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

(e) The Group adopts the perpetual inventory system.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its associates.

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

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Investments in associates are accounted for using the equity method.

(a) Initial recognition

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

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

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

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

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's

identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

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

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

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after book values of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions

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

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

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

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

(d) Impairment of long-term equity investments

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

(12) Fixed assets

(a) Recognition and initial measurement

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

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

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

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

(12) Fixed assets(Cont'd)

(b) Depreciation methods

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

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

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

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

(c) Book value of a fixed asset is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (17)).

(d) Disposal

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

(13) Construction in progress

Construction in progress is recorded at actual cost. Actual cost comprises construction cost, installation cost, borrowing costs eligible for capitalised condition and necessary expenditures incurred for its intended use. Actual cost also includes net of trial production cost and trial production income before construction in progress is put into production.

Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

Book value of construction in progress is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (17)).

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

(14) 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.

(15) Intangible assets

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

(a) Land use rights

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

(b) Patents and proprietary technologies

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

(c) Exploitation rights

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

(d) Periodical review of useful life and amortisation method

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

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

(15) Intangible assets(Cont'd)

(e) Research and development

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

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

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

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

(f) Impairment of intangible assets

Book value of intangible assets is reduced to the recoverable amount when the recoverable amount is below book value (Note 2 (17)).

(16) 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.

(17) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives and long-term equity investments in joint ventures and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that they may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

(17) Impairment of long-term assets(Cont'd)

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

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

(18) Employee benefits

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

(a) Short-term employee benefits

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

(b) Post-employment benefits

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

(c) 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.

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

(18) Employee benefits (Cont'd)

(d) Termination benefits

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

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

(19) Dividend distribution

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

(20) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

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

(21) Share-based payments

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

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

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

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

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

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

(22) Revenue recognition

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

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

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

(22) Revenue recognition (Cont'd)

(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.

(23) 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.

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

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

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

(24) Government grants (Cont'd)

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

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

(25) Leases

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

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

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

(26) Assets classified as held for sale

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

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

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

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

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

(27) Safety production costs

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

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

(27) Safety production costs (Cont'd)

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

The safety production costs is mainly used for the overhaul, renewal and maintenance of safety facilities. The safety production costs are charged to costs of related products or profit or loss when appropriated, and safety production costs in equity account are credited correspondingly. When using the special reserve, if the expenditures are expenses in nature, the expenses incurred are offset against the special reserve directly when incurred. If the expenditures are capital expenditures, when projects are completed and transferred to fixed assets, the special reserve should be offset against the

cost of fixed assets, and a corresponding accumulated depreciation are recognised. The fixed assets are no longer be depreciated in future.

(28) Segment information

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

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

(29) Critical accounting estimates and judgements

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

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

(a) Income tax

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

(b) Deferred income tax

Estimates on deferred tax assets are based on estimates on amount of taxable income and applicable tax rate for every year. Realisation of deferred income tax are subject to sufficient taxable income that are possible to be obtained by the Group in the future. Change of the future tax rate as well as the reversed time of temporary difference might have effects on tax expense (income) and the balance of

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

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

(b) Deferred income tax (Cont'd)

deferred tax assets or liabilities. Those estimates may also cause significant adjustment on deferred tax.

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

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

Various assumptions, including the discount rate and growth rate applied in the method of present value of future cash flow, are required in evaluating the recoverable amount of assets. If these assumptions cannot be conformed, the recoverable amount should be modified, and the long-term assets may be impaired accordingly.

(d) The useful life of fixed assets

Management estimates the useful life of fixed assets, based on historical experiences on using fixed assets that have similar properties and functions. When there are differences between actually useful life and previously estimation, management will adjust estimation to useful life of fixed assets. The fixed assets would be written off or written down when fixed assets been disposed or became redundant. Thus, the estimated result based on existing experience may be different from the actual result of the next accounting period, which may cause major adjustment to book value of fixed assets on balance sheet.

(e) Goodwill impairment

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

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

(30) Significant changes in accounting policies and accounting estimates

The Ministry of Finance released the revised CAS 22 - Recognition and Measurement of Financial Instruments, CAS 23 - Transfer of Financial Assets, CAS 24 - Hedging and CAS 37 - Presentation of Financial Instruments (collectively, "New Financial Instruments Standards") in 2017 and the Circular on the Amendment to the Formats of Corporate Financial Statements for the Year of 2019(CaiKuai [2019] No. 6), revised CAS 7 - Exchange of Non-monetary Assets ("Standard for Exchange of Non-monetary Assets") and CAS 12 - Debt Restructuring ("Standard for Debt Restructuring") in 2019. The financial statements for the year ended 31 December 2019 are prepared in accordance with the above standards and circular. The revised Standard for Exchange of Non-monetary Assets and Standard for Debt Restructuring have no significant impact on the Group and the Company, other amendments' impact on the Group's and the Company's financial statements are set out as follows.

(a) Modification of general enterprise financial statement format

(i) The impact of consolidated balance sheet of 2018 was listed as followings

| Consolidated balance sheet items | Before adjusted | After adjusted |
|--|-----------------|----------------|
| accounts receivable and notes receivable | 1,311,608,760 | - |
| notes receivable | - | 719,375,448 |
| accounts receivable | - | 592,233,312 |
| accounts payable and notes payable | 1,315,009,263 | - |
| notes payable | - | 105,150,000 |
| accounts payable | - | 1,209,859,263 |

(ii) The impact of company balance sheet of 2018 was listed as followings

| Parent company balance sheet items | Before adjusted | After adjusted |
|------------------------------------|-----------------|----------------|
| accounts receivable and notes | - | - |

| | | |
|------------------------------------|---------|---------|
| receivable | | |
| notes receivable | - | - |
| accounts receivable | - | - |
| accounts payable and notes payable | 261,024 | - |
| notes payable | - | - |
| accounts payable | - | 261,024 |

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

(30) Significant changes in accounting policies and accounting estimates (Cont'd)

(b) Financial instruments

According to the new financial instruments standard, the Group and the company adjusted the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings in 2019 and other relevant line items in the financial statements. The comparative financial statements have not been restated. On December 31, 2018 and January 1, 2019, neither the consolidation nor the company was designated as a financial asset measured at fair value through profit or loss.

- (i) As at 1 January 2019, the financial assets presented in the Group's consolidated financial statements were classified and measured in accordance with the Original/New Financial Instruments Standards as follows:

| Previous Standards for Financial Instruments | | | New Standards for Financial Instruments | | |
|--|----------------------|-------------------------|---|---|-------------------------|
| Items | Measurement Category | Consolidated book value | Items | Measurement Category | Consolidated book value |
| Cash and Bank Balances | Amortized cost | 2,226,447,720 | Cash and Bank Balances | Amortized cost | 2,226,447,720 |
| Notes receivable | Amortized cost | 719,375,448 | Receivables Financing | Measured at fair value through other comprehensive income | 304,180,556 |
| | | | Notes receivable | Amortized cost | 415,194,892 |
| Accounts receivable | Amortized cost | 592,233,312 | Accounts receivable | Amortized cost | 592,233,312 |
| Other Receivables | Amortized cost | 207,424,295 | Other Receivables | Amortized cost | 207,424,295 |

- (ii) As at 1 January 2019, the financial assets presented in the Group's consolidated financial statements were classified and measured in accordance with the Original/New Financial Instruments Standards as follows:

| Previous Standards for Financial Instruments | | | New Standards for Financial Instruments | | |
|--|----------------------|-------------------------|---|---|-------------------------|
| Items | Measurement Category | Consolidated book value | Items | Measurement Category | Consolidated book value |
| Cash and Bank Balances | Amortized cost | 1,700,726,151 | Cash and Bank Balances | Amortized cost | 1,700,726,151 |
| Notes receivable | Amortized cost | - | Receivables Financing | Measured at fair value through other comprehensive income | - |
| | | | Notes receivable | Amortized cost | - |
| Accounts receivable | Amortized cost | - | Accounts receivable | Amortized cost | - |
| Other Receivables | Amortized cost | 2,912,516,245 | Other Receivables | Amortized cost | 2,912,516,245 |

3 Taxation

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

| Category | Taxable basis | Tax rate |
|---------------------------------------|---|-----------|
| Enterprise income tax | Taxable income | 0% to 25% |
| Value-added tax ("VAT") (a) | Taxable value-added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of the current period) | 3% to 16% |
| City maintenance and construction tax | VAT paid | 1% to 7% |
| Educational surcharge | VAT paid | 3% to 5% |

Some subsidiaries of the Group have used the "exempt, credit, refund" method on goods exported and the refund rate is 13%-16%.

- (2) Tax incentives

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

Tianjin CSG Energy-Saving 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 2019 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 2019.

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 2019 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 2019.

HebeiShichuang Glass Co., Ltd. ("HebeiShichuang") passed review on a high and new tech enterprise in 2019 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 2019.

Wujiang CSG Glass Co., Ltd. ("Wujiang CSG") passed review on a high and new tech enterprise in 2017, and obtained the *Certificate of High and New Tech Enterprise*, and the period of validity was three years. It applies to 15% tax rate for three years since 2017.

3 Taxation (Cont'd)

- (2) Tax incentives(Cont'd)

Xianning CSG Glass Co Ltd. ("Xianning CSG") passed review on 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") passed review on 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") passed review on 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") passed review on 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") passed review on a high and new tech enterprise in 2019, 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 2019.

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.

Xianning CSG Photoelectric Glass Co., Ltd. ("Xianning Photoelectric") passed review on a high and new tech enterprise in 2019 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 2019.

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"), Xianning CSG PV Energy Co., Ltd. ("Xianning 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.

4 Notes to the consolidated financial statements

- (1) Cash at bank and on hand

31 December 2019

31 December 2018

| | | |
|---------------------|----------------------|----------------------|
| Cash on hand | 4,268 | 9,731 |
| Cash at bank | 1,781,830,762 | 2,225,117,182 |
| Other cash balances | 205,145,388 | 1,320,807 |
| | <u>1,986,980,418</u> | <u>2,226,447,720</u> |

| | | |
|------------------------------------|-------------------|-------------------|
| Including: Total overseas deposits | <u>40,403,719</u> | <u>37,790,337</u> |
|------------------------------------|-------------------|-------------------|

Other cash balances include margin deposits for issuing letters of credit and applying loans, amounting to RMB155,145,388 (31 December 2018: RMB1,320,807), which is restricted cash.

(2) Notes receivable

| | 31 December 2019 | 31 December 2018 |
|------------------------|--------------------|--------------------|
| Trade acceptance notes | 297,023,380 | 415,194,892 |
| Bank acceptance notes | - | 304,180,556 |
| | <u>297,023,380</u> | <u>719,375,448</u> |

(a) As at 31 December 2019, notes receivable which have been endorsed or discounted by the Group but are not yet due are as follows:

| | Derecognised | Not derecognised |
|------------------------|--------------|--------------------|
| Trade acceptance notes | <u>-</u> | <u>114,033,639</u> |

In 2019, according to group daily funds management needs, the part of the bank acceptance bills is classified as a financial asset measured at fair value and its changes are included in other comprehensive income and listed as receivable Financing (Note 4 (4))

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

(3) Accounts receivable

| | 31 December 2019 | 31 December 2018 |
|-------------------------------|--------------------|--------------------|
| Accounts receivable | 678,240,286 | 611,899,209 |
| | (28,559,109) | (19,665,897) |
| Less: Provision for bad debts | <u>649,681,177</u> | <u>592,233,312</u> |

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

| | 31 December 2019 | 31 December 2018 |
|---------------|--------------------|--------------------|
| Within 1 year | 618,151,739 | 583,789,669 |
| 1 to 2 years | 38,737,774 | 15,284,163 |
| 2 to 3 years | 13,140,899 | 6,586,079 |
| Over 3 years | 8,209,874 | 6,239,298 |
| | <u>678,240,286</u> | <u>611,899,209</u> |

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

| | 31 December 2019 | | | | 31 December 2018 | | | |
|--------------------------------------|--------------------|--------------------|-------------------------|-----------|--------------------|--------------------|-------------------------|-----------|
| | Carrying amount | | Provision for bad debts | | Carrying amount | | Provision for bad debts | |
| | Amount | % of total balance | Provision for bad debts | % | Amount | % of total balance | Provision for bad debts | % |
| Provision for bad debts by groupings | | | | | | | | |
| Portfolio 1 | 662,934,109 | 98% | (13,252,932) | 2% | 598,852,703 | 98% | (11,976,169) | 2% |
| Provided for bad debts individually | 15,306,177 | 2% | (15,306,177) | 100% | 13,046,506 | 2% | (7,689,728) | 59% |
| | <u>678,240,286</u> | <u>100%</u> | <u>(28,559,109)</u> | <u>4%</u> | <u>611,899,209</u> | <u>100%</u> | <u>(19,665,897)</u> | <u>3%</u> |

- (c) For accounts receivable provided for bad debts by portfolio, the expected credit impairment loss for the portfolio is as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|-------------|--------------------|-------------------------|-----------|--------------------|-------------------------|-----------|
| | Carrying amount | Provision for bad debts | | Carrying amount | Provision for bad debts | |
| | Amount | Amount | % | Amount | Amount | % |
| Portfolio 1 | 662,934,109 | (13,252,932) | 2% | 598,852,703 | (11,976,169) | 2% |
| | <u>662,934,109</u> | <u>(13,252,932)</u> | <u>2%</u> | <u>598,852,703</u> | <u>(11,976,169)</u> | <u>2%</u> |

- (d) As at 31 December 2019, the bad debts of receivables was RMB15,306,177 (31 December 2018: RMB13,046,506) that to be provided individually. It mainly represented the goods receivable due from a client of the subsidiary, Yichang CSG Display. Due to the client's bankruptcy, Yichang CSG Display made full provision against this receivable. It also represented the goods receivable due from a client of the subsidiary, Dongguan CSG PV-tech. Due to business dispute, Dongguan CSG PV-tech made full provision against this receivable.
- (e) Accounts receivables were not written off for this year, (31 December 2018: RMB2,750,772).

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

- (3) Accounts receivable (Cont'd)

- (f) As at 31 December 2019, Total balances for the five largest accounts receivable set out as below:

| | Balance | Provision for bad debts | Percentage in total accounts receivable balance |
|---|--------------------|-------------------------|---|
| Total balances for the five largest accounts receivable | <u>138,169,108</u> | <u>(2,763,383)</u> | <u>20%</u> |

- (4) Receivables Financing

| | 31 December 2019 | 31 December 2018 |
|-----------------------|--------------------|------------------|
| Bank acceptance notes | <u>258,296,826</u> | <u>-</u> |
| | <u>258,296,826</u> | <u>-</u> |

- (a) As at 31 December 2019, receivables financing which have been endorsed or discounted by the Group but are not yet due are as follows:

| | Derecognised | Not derecognised |
|-----------------------|----------------------|------------------|
| Bank acceptance notes | <u>2,180,985,281</u> | <u>-</u> |

- (5) Advances to suppliers

- (a) The ageing of prepayment is analysed below:

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
|--|------------------|------------------|

| | Amount | % of total balance | Amount | % of total balance |
|---------------|-------------------|-----------------------|-------------------|-----------------------|
| Within 1 year | 76,048,960 | 97% | 76,372,805 | 84% |
| 1 to 2 years | 2,107,931 | 3% | 2,034,196 | 2% |
| 2 to 3 years | 39,136 | - | - | - |
| Over 3 years | - | - | 12,769,674 | 14% |
| | <u>78,196,027</u> | <u>100%</u> | <u>91,176,675</u> | <u>100%</u> |

As at 31 December 2019, advances to suppliers over 1 year with a carrying amount of RMB 2,147,067 (31 December 2018: RMB14,803,870) were mainly prepaid to supplier for materials, which were not fully settled since the materials had not been received.

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

(5) Advances to suppliers (Cont'd)

(b) As at 31 December 2019, the five largest prepayment are analysed as follows:

| | Balance | Percentage in total advances to suppliers balance |
|---|-------------------|---|
| Total balances for the five largest advances to suppliers | <u>39,008,736</u> | <u>50%</u> |

(6) Other receivables

| | 31 December 2019 | 31 December 2018 |
|--|---------------------|--------------------|
| Receivables from special fund for talent | 171,000,000 | 171,000,000 |
| Refundable deposits | 11,767,626 | 21,351,937 |
| Payments made on behalf of other parties | 15,337,999 | 15,036,194 |
| Petty cash | 328,077 | 489,912 |
| Export tax rebates receivable | - | 137,744 |
| Advances to suppliers(i) | 11,710,142 | - |
| Others | <u>8,486,056</u> | <u>3,962,723</u> |
| | 218,629,900 | 211,978,510 |
| Less: Provision for bad debts | <u>(15,775,036)</u> | <u>(4,554,215)</u> |
| | <u>202,854,864</u> | <u>207,424,295</u> |

(i) The subsidiaries of Yingde CBM Mining Co., Ltd. and Wujiang CSG Co., Ltd. mainly prepaid to supplier for materials. This year, the prepayments accounts are transferred to other receivables and the provision of the bad debts was provided individually in current year.

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

| | 31 December 2019 | 31 December 2018 |
|---------------|--------------------|--------------------|
| Within 1 year | 10,868,483 | 11,684,072 |
| 1 to 2 years | 6,159,195 | 14,639,759 |
| 2 to 3 years | 5,740,019 | 1,060,654 |
| 3 to 4 years | 957,121 | 11,121,084 |
| 4 to 5 years | 21,484,748 | 171,843,311 |
| Over 5 years | <u>173,420,334</u> | <u>1,629,630</u> |
| | <u>218,629,900</u> | <u>211,978,510</u> |

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

(6) Other receivables (Cont'd)

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

| | 31 December 2019 | | | | 31 December 2018 | | | |
|--------------------------------------|--------------------|--------------------|-------------------------|-----------|--------------------|--------------------|-------------------------|-----------|
| | Carrying amount | | Provision for bad debts | | Carrying amount | | Provision for bad debts | |
| | Amount | % of total balance | Provision for bad debts | % | Amount | % of total balance | Provision for bad debts | % |
| Provision for bad debts by groupings | | | | | | | | |
| Portfolio 1 | 206,596,853 | 94% | (4,138,582) | 2% | 211,655,605 | 100% | (4,231,310) | 2% |
| Provided for bad debts individually | 12,033,047 | 6% | (11,636,454) | 97% | 322,905 | - | (322,905) | 100% |
| | <u>218,629,900</u> | <u>100%</u> | <u>(15,775,036)</u> | <u>7%</u> | <u>211,978,510</u> | <u>100%</u> | <u>(4,554,215)</u> | <u>2%</u> |

(c) The reason for the bad debts was provided individually as the payment will not be recoverable due to long aging time.

(d) For other receivables provided for bad debts by portfolio, the expected credit impairment loss for the portfolio is as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|-------------|--------------------|-------------------------|-----------|--------------------|-------------------------|-----------|
| | Carrying amount | Provision for bad debts | | Carrying amount | Provision for bad debts | |
| | Amount | Amount | % | Amount | Amount | % |
| Portfolio 1 | 206,596,853 | (4,138,582) | 2% | 211,655,605 | (4,231,310) | 2% |
| | <u>206,596,853</u> | <u>(4,138,582)</u> | <u>2%</u> | <u>211,655,605</u> | <u>(4,231,310)</u> | <u>2%</u> |

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

(6) Other receivables (Cont'd)

(e) Provision for bad debts

| bad debts | Stage 1 | Stage 2 | Stage 3 | 31 December 2019 |
|---------------------------|--|---|---|---------------------|
| | Expected credit losses in the following 12 months (grouping) | Lifetime expected credit losses (credit unimpaired) | Lifetime expected credit losses (credit impaired) | Total |
| 1 January 2019 | (4,231,310) | - | (322,905) | (4,554,215) |
| Amounts in current year | - | - | - | - |
| — Transferred stage 2 | - | - | - | - |
| — Transferred stage 3 | - | - | - | - |
| — Reversed stage 2 | - | - | - | - |
| — Reversed stage 1 | - | - | - | - |
| Increased in current year | (210,813) | - | (11,313,549) | (11,524,362) |
| Reversed in current year | 303,541 | - | - | 303,541 |
| Disposal in current year | - | - | - | - |
| Write-off in current year | - | - | - | - |
| Other movements | - | - | - | - |
| 31 December 2019 | <u>(4,138,582)</u> | <u>-</u> | <u>(11,636,454)</u> | <u>(15,775,036)</u> |

- (f) As at 31 December 2019, the top 5 largest other receivables are analysed as bellow:

| | Nature of business | Balance | Ageing | Percentage in total other receivables balance | Provision for bad debts |
|--------------------------|-------------------------|--------------------|--------------|---|-------------------------|
| Company A | Independent third party | 171,000,000 | Over 5Years | 78% | 3,420,000 |
| Governmental departmentB | Independent third party | 11,067,754 | 4 to 5 Years | 5% | 221,355 |
| Company C | Independent third party | 10,366,164 | 4 to 5 years | 5% | 10,366,164 |
| Company D | Independent third party | 6,700,000 | 1 to 2 years | 3% | 134,000 |
| Company E | Independent third party | 2,227,000 | 1 to 2 years | 1% | 44,540 |
| | | <u>201,360,918</u> | | <u>92%</u> | <u>14,186,059</u> |

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

(7) Inventories

- (a) Inventories are summarised by category as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|--------------------|--------------------|---|--------------------|--------------------|---|--------------------|
| | Carrying amount | Provision for decline in the value of inventories | Carrying amount | Carrying amount | Provision for decline in the value of inventories | Carrying amount |
| Raw materials | 227,091,252 | (1,930,091) | 225,161,161 | 224,107,756 | (1,438,767) | 222,668,989 |
| Work in progress | 31,568,189 | - | 31,568,189 | 25,088,903 | - | 25,088,903 |
| Finished goods | 521,700,720 | (3,873,252) | 517,827,468 | 309,132,138 | (566,246) | 308,565,892 |
| Turnover materials | 38,315,093 | (550,221) | 37,764,872 | 43,815,966 | - | 43,815,966 |
| | <u>818,675,254</u> | <u>(6,353,564)</u> | <u>812,321,690</u> | <u>602,144,763</u> | <u>(2,005,013)</u> | <u>600,139,750</u> |

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

| | 31 December 2018 | Increase in current year | Reversal in current year | 31 December 2019 |
|--------------------|------------------|--------------------------|--------------------------|------------------|
| Finished goods | 566,246 | 3,793,212 | (486,206) | 3,873,252 |
| Raw materials | 1,438,767 | 494,852 | (3,528) | 1,930,091 |
| Turnover materials | | 550,221 | - | 550,221 |
| | <u>2,005,013</u> | <u>4,838,285</u> | <u>(489,734)</u> | <u>6,353,564</u> |

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

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

4 Notes to the consolidated financial statements (Cont'd)**(8) Other current assets**

| | 31 December 2019 | 31 December 2018 |
|-------------------------------|--------------------|--------------------|
| VAT to be offset | 110,370,231 | 115,329,834 |
| Entrusted loan | 300,000,000 | 300,000,000 |
| Enterprise income tax prepaid | 18,012,235 | 21,277,486 |
| VAT input to be recognised | 19,613,465 | 8,720,129 |
| | <u>447,995,931</u> | <u>445,327,449</u> |

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

| | Buildings | Machinery and equipment | Motor vehicles and others | Total |
|--|---------------|-------------------------|---------------------------|----------------|
| Cost | | | | |
| 31 December 2018 | 3,849,892,382 | 10,885,811,188 | 217,262,297 | 14,952,965,867 |
| Increase in current year | | | | |
| Acquisition | 4,428,371 | 28,723,858 | 8,805,932 | 41,958,161 |
| Transfers from construction in progress (Note 4(10)) | 64,166,605 | 1,007,374,996 | 5,355,381 | 1,076,896,982 |
| Others | 3,426,840 | 2,921,532 | 1,128,034 | 7,476,406 |
| Decrease in current year | | | | |
| Disposal or retirement | (20,853,800) | (52,637,153) | (8,005,932) | (81,496,885) |
| Others | (430,285) | (58,534,604) | (2,028,305) | (60,993,194) |
| 31 December 2019 | 3,900,630,113 | 11,813,659,817 | 222,517,407 | 15,936,807,337 |
| Accumulated depreciation | | | | |
| 31 December 2018 | 815,842,766 | 3,891,110,695 | 203,490,662 | 4,910,444,123 |
| Increase in current year | | | | |
| Provision | 120,487,407 | 775,078,174 | 19,789,795 | 915,355,376 |
| Decrease in current year | | | | |
| Disposal or retirement | (4,341,084) | (42,060,077) | (7,906,027) | (54,307,188) |
| Others | (8,161) | (12,417,053) | (1,308,023) | (13,733,237) |
| 31 December 2019 | 931,980,928 | 4,611,711,739 | 214,066,407 | 5,757,759,074 |
| Provision for impairment loss | | | | |
| 31 December 2018 | 21,851,716 | 89,826,253 | - | 111,677,969 |
| Increase in current year | | | | |
| Provision | 2,953,307 | 277,502,882 | 46,823 | 280,503,012 |
| Others | - | 25,475,004 | - | 25,475,004 |
| Decrease in current year | | | | |
| Disposal or retirement | (10,580,862) | (5,294,301) | - | (15,875,163) |
| Others | - | (5,769,860) | - | (5,769,860) |
| 31 December 2019 | 14,224,161 | 381,739,978 | 46,823 | 396,010,962 |
| Carrying amount | | | | |
| 31 December 2019 | 2,954,425,024 | 6,820,208,100 | 8,404,177 | 9,783,037,301 |
| 31 December 2018 | 3,012,197,900 | 6,904,874,240 | 13,771,635 | 9,930,843,775 |

In 2019, the depreciation amount provided for fixed assets was RMB915,355,376 (2018: RMB965,935,450), and the amount of depreciation expenses charged to cost of sales, selling and distribution expenses, general and administrative expenses was RMB849,668,442, RMB 906,236, RMB 64,780,698 (2018: RMB902,224,539, RMB 973,181, RMB 62,737,730) respectively.

In 2019, the cost of fixed assets transferred from construction in progress amounted to RMB1,076,896,982 (2018: RMB1,317,931,137).

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

(9) Fixed assets (Cont'd)

(a) Fixed assets with pending certificates of ownership

| | Carrying amount | Reasons for not yet obtaining certificates of title |
|-----------|--------------------|--|
| Buildings | <u>684,804,154</u> | Have submitted the required documents and are in the process of application, or the related land use right certificate pending |

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

(10) Construction in progress

| | 31 December 2019 | | | 31 December 2018 | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Provision for | | | Provision for | | |
| | Carrying amount | impairment loss | Carrying amount | Carrying amount | impairment loss | Carrying amount |
| Yichang CSG polysilicon tech-innovation project | 1,532,811,638 | (375,097,200) | 1,157,714,438 | 1,465,710,819 | (253,983,876) | 1,211,726,943 |
| Yichang display device company flat panel display project | 366,268,866 | (14,160,474) | 352,108,392 | 354,190,988 | (14,160,474) | 340,030,514 |
| Qingyuan CSG Ultra-clean electronic glass and ultra-white special glass production line construction project | 88,706,261 | - | 88,706,261 | 338,679 | - | 338,679 |
| 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 |
| Dongguan PV A Building PERC battery technology upgrade project | 67,981,191 | - | 67,981,191 | 3,735,197 | - | 3,735,197 |
| Qingyuan Quartz Material Processing Production Line project | 34,172,703 | - | 34,172,703 | 1,976,972 | - | 1,976,972 |
| LED Sapphire Substrate Project | 32,420,412 | (32,420,412) | - | 32,420,412 | (32,420,412) | - |
| Wujiang float Environmental reforming project | 10,281,838 | - | 10,281,838 | 16,494,538 | - | 16,494,538 |
| Dongguan Solar New PV Tech Glass Processing Project | 4,727,020 | - | 4,727,020 | 41,074,003 | - | 41,074,003 |
| Yichang CSG to add a 1GW silicon wafer project | 495,727 | - | 495,727 | 48,859,613 | - | 48,859,613 |
| Dongguan JingyuJadeglass Project | 395,482 | - | 395,482 | 14,273,358 | - | 14,273,358 |
| Yichang CSG Silicon wafer capacity technology upgrade project | 357,163 | - | 357,163 | 707,199,477 | (25,475,004) | 681,724,473 |
| Hebei CSG Environmental reforming project | - | - | - | 19,012,500 | - | 19,012,500 |
| Chendu float Environmental reforming project | - | - | - | 16,989,203 | - | 16,989,203 |
| Others | 146,882,826 | (405,983) | 146,476,843 | 124,626,455 | (405,983) | 124,220,472 |
| | <u>2,364,472,122</u> | <u>(462,332,087)</u> | <u>1,902,140,035</u> | <u>2,925,873,209</u> | <u>(366,693,767)</u> | <u>2,559,179,442</u> |

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

(10) Construction in progress (Cont'd)

(a) Movements of significant project

| Project name | Budget | 31 December 2018 | Increase in current year | Transfer to fixed assets in current year | Other decreases in current year | 31 December 2019 | Proportion between engineering input and budget (i) | Amount of borrowing costs capitalised | Including: Amount of borrowing costs capitalised in 2018 | Capitalisation rate for in current year | Source of fund |
|--|----------------------|----------------------|--------------------------|--|---------------------------------|----------------------|---|---------------------------------------|--|---|-----------------------------|
| Yichang CSG polysilicon tech-innovation project | 49,520,000 | 1,465,710,819 | 68,193,953 | - | (1,093,134) | 1,532,811,638 | 92% | - | - | - | Internal fund and bank loan |
| Yichang display device company flat panel display project | 1,970,000,000 | 354,190,988 | 40,182,081 | (28,104,203) | - | 366,268,866 | 89% | 11,560,142 | 3,016,390 | 4.10% | Internal fund and bank loan |
| Qingyuan CSG Ultra-clean electronic glass and ultra-white special glass production line construction project | 785,000,000 | 338,679 | 88,392,184 | (24,602) | - | 88,706,261 | 11% | 2,176,698 | 2,176,698 | 5.23% | Internal fund and bank loan |
| Dongguan Solar Glass Phase I and II improvement project | 396,410,000 | 78,970,995 | - | - | - | 78,970,995 | 80% | - | - | - | Internal fund |
| Dongguan PV A Building PERC battery technology upgrade project | 67,180,000 | 3,735,197 | 68,050,995 | (3,805,001) | - | 67,981,191 | 100% | 908,771 | 908,771 | 5.15% | Internal fund and bank loan |
| Qingyuan Quartz Material Processing Production Line project | 34,828,048 | 1,976,972 | 32,195,731 | - | - | 34,172,703 | 98% | - | - | - | Internal fund |
| LED Sapphire Substrate Project | 35,000,000 | 32,420,412 | - | - | - | 32,420,412 | 93% | 4,650,543 | - | - | Internal fund and bank loan |
| Wujiang energy glass expansion project | 50,300,000 | 16,494,538 | 12,179,394 | (18,392,094) | - | 10,281,838 | 57% | - | - | - | Internal fund |
| Dongguan Solar New PV Tech Glass Processing Project | 60,000,000 | 41,074,003 | 949,966 | (37,296,949) | - | 4,727,020 | 96% | - | - | - | Internal fund |
| Yichang CSG to add a 1GW silicon wafer project | 1,073,209,600 | 48,859,613 | 27,420,604 | (75,784,490) | - | 495,727 | 87% | 13,970,888 | 2,256,943 | 5.05% | Internal fund and bank loan |
| Dongguan JingyuJadeglass Project | 30,000,000 | 14,273,358 | 14,484,307 | (28,362,183) | - | 395,482 | 94% | - | - | - | Internal fund |
| Yichang CSG Silicon wafer capacity technology upgrade project | 144,570,000 | 707,199,477 | 20,870,628 | (727,712,942) | - | 357,163 | 23% | 399,703 | 369,565 | 5.05% | Internal fund and bank loan |
| Hebei CSG Environmental reforming project | 25,700,000 | 19,012,500 | - | (19,012,500) | - | - | 74% | - | - | - | Internal fund |
| Chendu float Environmental reforming project | 25,000,000 | 16,989,203 | 6,574,010 | (23,563,213) | - | - | 94% | - | - | - | Internal fund |
| Others | 1,415,555,546 | 124,626,455 | 137,095,176 | (114,838,805) | - | 146,882,826 | - | 32,878,429 | 408,129 | 5.15% | Internal fund and bank loan |
| | <u>6,162,273,194</u> | <u>2,925,873,209</u> | <u>516,589,029</u> | <u>(1,076,896,982)</u> | <u>(1,093,134)</u> | <u>2,364,472,122</u> | | <u>66,545,174</u> | <u>9,136,496</u> | | |

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

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

(10) Construction in progress (Cont'd)

(b) Provision for impairment of construction in progress

| Project name | 31 December 2018 | provision increased in current year | provision from long- term assets trasfered in current year | Decrease in current year | 31 December 2019 |
|---|------------------------|---|--|-----------------------------|---------------------|
| Dongguan Solar Glass Phase I and II improvement project | 40,248,018 | - | - | - | 40,248,018 |
| Yichang display device company flat panel display project | 14,160,474 | - | - | - | 14,160,474 |
| LED Sapphire Substrate Project | 32,420,412 | - | - | - | 32,420,412 |
| Yichang CSG Silicon wafer capacity technology upgrade project | 25,475,004 | - | - | (25,475,004) | - |
| Yichang CSG polysilicon tech-innovation project | 253,983,876 | 116,364,704 | 5,769,860 | (1,021,240) | 375,097,200 |
| Others | 405,983 | - | - | - | 405,983 |
| | <u>366,693,767</u> | <u>116,364,704</u> | <u>5,769,860</u> | <u>(26,496,244)</u> | <u>462,332,087</u> |

(i) Due to the fierce competition in the domestic polysilicon industry, by the 'section 8 of accounting standards for business enterprises – impairments of assets', the management of the company identified and ran impairment tests for some parts of related assets showing a sign of impairment, and the provision for impairment was noted by company.

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

(11) Intangible assets and development expenditure

| | Land use rights | Patents and proprietary technologies | Exploitation rights | Others | Total |
|--|--------------------|--|------------------------|------------|---------------|
| Cost | | | | | |
| 31 December 2018 | 1,026,603,700 | 283,187,833 | 4,456,536 | 38,007,416 | 1,352,255,485 |
| Acquisition in current year | - | - | - | 1,478,623 | 1,478,623 |
| Transfers from development expenditure in current year | - | 63,322,259 | - | - | 63,322,259 |
| 31 December 2019 | 1,026,603,700 | 346,510,092 | 4,456,536 | 39,486,039 | 1,417,056,367 |
| Accumulated amortisation | | | | | |
| 31 December 2018 | 170,241,896 | 97,385,754 | 4,107,365 | 31,578,666 | 303,313,681 |
| Provision in current year | 21,184,631 | 31,051,952 | 349,171 | 3,120,165 | 55,705,919 |
| 31 December 2019 | 191,426,527 | 128,437,706 | 4,456,536 | 34,698,831 | 359,019,600 |
| Provision for impairment loss | | | | | |
| 31 December 2018 | - | 13,201,347 | - | 9,133 | 13,210,480 |
| 31 December 2019 | - | 13,201,347 | - | 9,133 | 13,210,480 |
| Carrying amount | | | | | |

| | | | | | |
|------------------|-------------|-------------|---------|-----------|---------------|
| 31 December 2019 | 835,177,173 | 204,871,039 | - | 4,778,075 | 1,044,826,287 |
| 31 December 2018 | 856,361,804 | 172,600,732 | 349,171 | 6,419,617 | 1,035,731,324 |

In 2019, the amortisation of intangible assets amounted to RMB55,705,919 (2018: RMB50,567,703).

As at 31 December 2019, ownership certificates of land use rights ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB4,983,945 (cost: RMB6,586,712) had not yet been obtained by the Group (31 December 2018: carrying amount: RMB5,228,694, cost: RMB6,586,712). The Company's management are of the view that there is no legal restriction for the Group to apply for and obtain the Land Ownership Certificates and has no adverse effect on the Group's business operation.

Research expenditure is analysed below:

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|-------------------|---------------------|-----------------------------|---------------------------|------------------------------------|
| | | | Recognised as expenses | Recognised as intangible assets |
| Development costs | 74,549,257 | 74,013,358 | (63,322,259) | 85,240,356 |

In 2019, the total amount of research and development expenditures of the Group was RMB440,884,641 (2018: RMB 381,711,070), including RMB366,871,283 (2018: RMB 338,791,891) recorded in income statement for current period and the research and development expenditure with the amount of RMB63,322,259 recognised as intangible assets for the current period (2018: 29,735,459). As at 31 December 2019, the intangible assets arising from internal research and development accounted for 18.03% of total of intangible assets (31 December 2018: 14.21%).

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

(12) Goodwill

(a) Book value of goodwill

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|---|---------------------|-----------------------------|--------------------------------|---------------------|
| Tianjin CSG Architectural Glass Co., Ltd. | 3,039,946 | - | - | 3,039,946 |
| Xianning CSG Photoelectric | 4,857,406 | - | - | 4,857,406 |
| Shenzhen CSG Display(i) | 389,494,804 | - | - | 389,494,804 |
| | <u>397,392,156</u> | <u>-</u> | <u>-</u> | <u>397,392,156</u> |

(b) Impairment of goodwill

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|-------------------------|---------------------|-----------------------------|--------------------------------|---------------------|
| Shenzhen CSG Display(i) | 20,672,000 | 61,622,400 | - | 82,294,400 |
| | <u>20,672,000</u> | <u>61,622,400</u> | <u>-</u> | <u>82,294,400</u> |

The calculation of the impairment used the higher conclusions of the two future measurement methods of the present value of the expected future cash flow and the fair value minus the disposal expenses. The methods, assumptions, asset groups, etc. of the goodwill impairment test this year was consistent with the date of purchase and the previous year.

(i) Shenzhen CSG Display adopting the method of discounting future cashflow is with the following main hypothesizes:

| | 2019 | 2018 |
|--|---------|--------|
| income growth for the predicted period | -1%-33% | 5%-32% |

| | | |
|---|---------|---------|
| income growth for the stabilized period | 0% | 0% |
| gross profit margin | 20%-23% | 23%-24% |
| discount rate | 11% | 11% |

Combining with the prediction of the future business and independent third party appraisal institution, the Company's management considered that the goodwill was impaired RMB 61,622,400 as at 31 December 2019 (2018: RMB 20,672,000).

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

(13) Deferred tax assets and liabilities

(a) Deferred tax assets before offsetting

| | 31 December 2019 | | 31 December 2018 | |
|---|----------------------------------|---------------------|----------------------------------|---------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for asset impairments | 864,645,227 | 131,772,057 | 394,331,591 | 68,458,375 |
| Tax losses | 497,964,481 | 83,129,146 | 407,739,415 | 72,421,592 |
| Government grants | 182,452,278 | 27,367,842 | 256,949,965 | 41,523,325 |
| Accrued expenses | 30,032,597 | 4,504,890 | 42,393,456 | 6,359,019 |
| Depreciation of fixed assets | 19,790,300 | 2,968,545 | 27,973,574 | 4,311,723 |
| Share payment | - | - | 16,366,061 | 2,597,038 |
| | <u>1,594,884,883</u> | <u>249,742,480</u> | <u>1,145,754,062</u> | <u>195,671,072</u> |
| Including: | | | | |
| Expected to be reversed within one year (inclusive) | | 18,423,315 | | 54,631,827 |
| Expected to be reversed after one year | | 231,319,165 | | 141,039,245 |
| | | <u>249,742,480</u> | | <u>195,671,072</u> |

(b) Deferred tax liabilities before offsetting

| | 31 December 2019 | | 31 December 2018 | |
|---|-------------------------------|--------------------------|-------------------------------|--------------------------|
| | Taxable temporary differences | Deferred tax liabilities | Taxable temporary differences | Deferred tax liabilities |
| Depreciation of fixed assets | 494,317,001 | 74,147,550 | 474,157,813 | 78,260,394 |
| Including: | | | | |
| Expected to be reversed within one year (inclusive) | | 13,617,606 | | 23,373,156 |
| Expected to be reversed after one year | | 60,529,944 | | 54,887,238 |
| | | <u>74,147,550</u> | | <u>78,260,394</u> |

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

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

| | 31 December 2019 | 31 December 2018 |
|-------------------|--------------------|--------------------|
| Deductible losses | <u>613,806,990</u> | <u>517,898,158</u> |

The deductible tax losses not recognised as deferred tax assets mainly represented the tax losses of the Company and some closed subsidiaries. Management was unable to expect that whether there were taxable profit would be available in the future against which these deductible tax losses can be utilised, and accordingly, did not recognise the deferred tax assets.

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

| | 31 December 2019 | 31 December 2018 |
|------|--------------------|--------------------|
| 2019 | - | 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 | <u>178,208,832</u> | <u>-</u> |
| | <u>613,806,990</u> | <u>517,898,158</u> |

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

| | 31 December 2019 | | 31 December 2018 | |
|--------------------------|--|---|--|---|
| | Net deferred tax assets or liabilities | Deductible/taxable temporary differences after offsetting | Net deferred tax assets or liabilities | Deductible/taxable temporary differences after offsetting |
| Deferred tax assets | 205,792,587 | 1,301,885,596 | 139,529,518 | 817,628,525 |
| Deferred tax liabilities | <u>30,197,657</u> | <u>201,317,714</u> | <u>22,118,840</u> | <u>146,032,276</u> |

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

| | 31 December 2019 | 31 December 2018 |
|---|--------------------|-------------------|
| Prepayment for equipment and project | 88,489,893 | 50,315,934 |
| Prepayment for lease of land use rights | <u>31,910,000</u> | <u>6,510,000</u> |
| | <u>120,399,893</u> | <u>56,825,934</u> |

(15) Impairment of asset

| | 31 December 2018 | Increase in current year | Other increased in current year | Reversal in current year | Written off in current year | 31 December 2019 |
|---|------------------|--------------------------|---------------------------------|--------------------------|-----------------------------|------------------|
| Provision for bad debts | 24,220,112 | 29,243,867 | - | (9,129,834) | - | 44,334,145 |
| Including: Provision for bad debts of accounts receivable | 19,665,897 | 17,719,505 | - | (8,826,293) | - | 28,559,109 |

| | | | | | | |
|--|--------------------|--------------------|-------------------|--------------------|---------------------|----------------------|
| Provision for bad debts of other receivables | 4,554,215 | 11,524,362 | - | (303,541) | - | 15,775,036 |
| Provision for decline in the value of inventories | 2,005,013 | 4,838,285 | - | (3,716) | (486,018) | 6,353,564 |
| Provision for impairment of fixed assets | 111,677,969 | 280,503,012 | 25,475,004 | - | (21,645,023) | 396,010,962 |
| Provision for impairment of construction in progress | 366,693,767 | 116,364,704 | 5,769,860 | - | (26,496,244) | 462,332,087 |
| Provision for impairment of intangible assets | 13,210,480 | - | - | - | - | 13,210,480 |
| Provision for impairment of goodwill | 20,672,000 | 61,622,400 | - | - | - | 82,294,400 |
| | <u>538,479,341</u> | <u>492,572,268</u> | <u>31,244,864</u> | <u>(9,133,550)</u> | <u>(48,627,285)</u> | <u>1,004,535,638</u> |

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

(16) Short-term borrowings

| | 31 December 2019 | 31 December 2018 |
|----------------|----------------------|----------------------|
| Unsecured | 1,687,000,000 | 2,008,000,000 |
| Guaranteed (i) | 543,969,137 | 909,679,590 |
| Mortgage loan | 10,000,000 | 5,000,000 |
| | <u>2,240,969,137</u> | <u>2,922,679,590</u> |

- (i) As at 31 December 2019, the Company provided its subsidiaries with guarantee for the short-term borrowings of RMB543,969,137 (31 December 2018: RMB909,679,590).

As at 31 December 2019, the interest of short-term borrowings varied from 2.95% to 4.79% (31 December 2018: 2.95% to 5.66%).

(17) Notes payable

| | 31 December 2019 | 31 December 2018 |
|-----------------------|--------------------|--------------------|
| Bank acceptance notes | <u>232,063,968</u> | <u>105,150,000</u> |

All notes payable are due within one year.

(18) Accounts payable

| | 31 December 2019 | 31 December 2018 |
|-------------------------------|----------------------|----------------------|
| Materials payable | 728,499,891 | 749,987,838 |
| Equipment payable | 174,902,946 | 230,997,567 |
| Construction expenses payable | 93,584,879 | 133,247,003 |
| Freight payable | 68,149,272 | 62,455,534 |
| Utilities payable | 28,835,685 | 27,099,683 |
| Others | 6,559,106 | 6,071,638 |
| | <u>1,100,531,779</u> | <u>1,209,859,263</u> |

As at 31 December 2019, the amount of accounts payable over 1 year was approximately RMB180,273,623 (31 December 2018: RMB159,491,611), which mainly comprised payables for construction and equipment. As the construction work had not passed the final acceptance test yet, the balance was not yet settled.

(19) Advances from customers

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
|--|------------------|------------------|

| | | |
|-----------------------------------|-------------|-------------|
| Advances for goods from customers | 292,803,811 | 206,631,008 |
|-----------------------------------|-------------|-------------|

The ageing of balances was substantively within 1 year.

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

(20) Employee benefits payable

| | 31 December 2019 | 31 December 2018 |
|--|--------------------|--------------------|
| Short-term employee benefits payable (a) | 337,855,741 | 262,906,600 |
| Defined contribution plans payable (b) | 10,505 | 54,313 |
| Termination benefits(c) | - | 3,498,238 |
| | <u>337,866,246</u> | <u>266,459,151</u> |

(a) Short-term employee benefits

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|---|--------------------|--------------------------|--------------------------|--------------------|
| Wages and salaries, bonus, allowances and subsidies | 242,564,302 | 1,305,299,616 | (1,230,391,393) | 317,472,525 |
| Social security contributions | 24,681 | 42,726,248 | (42,745,482) | 5,447 |
| Including: Medical insurance | 21,305 | 36,659,746 | (36,676,217) | 4,834 |
| Work injury insurance | 2,357 | 3,417,212 | (3,419,335) | 234 |
| Maternity insurance | 1,019 | 2,649,290 | (2,649,930) | 379 |
| Housing funds | 2,613,587 | 37,349,346 | (37,806,704) | 2,156,229 |
| Labour union funds and employee education funds | 17,704,030 | 14,973,300 | (14,455,790) | 18,221,540 |
| Share-based payments | - | 24,845,972 | (24,845,972) | - |
| | <u>262,906,600</u> | <u>1,425,194,482</u> | <u>(1,350,245,341)</u> | <u>337,855,741</u> |

(b) Defined contribution plans

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|------------------------|------------------|--------------------------|--------------------------|------------------|
| Basic pensions | 52,573 | 100,361,383 | (100,403,555) | 10,401 |
| Unemployment insurance | 1,740 | 3,611,179 | (3,612,815) | 104 |
| | <u>54,313</u> | <u>103,972,562</u> | <u>(104,016,370)</u> | <u>10,505</u> |

(c) Termination benefits

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|-------------------------|------------------|--------------------------|--------------------------|------------------|
| Other dismissal welfare | 3,498,238 | 14,962,930 | (18,461,168) | - |
| | <u>3,498,238</u> | <u>14,962,930</u> | <u>(18,461,168)</u> | <u>-</u> |

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

| | 31 December 2019 | 31 December 2018 |
|---|--------------------|--------------------|
| Enterprise income tax payable | 49,932,889 | 36,008,341 |
| VAT payable | 45,587,584 | 54,091,751 |
| Housing property tax payable | 4,270,528 | 5,156,058 |
| Individual income tax payable | 5,451,521 | 3,367,389 |
| City maintenance and construction tax payable | 3,629,966 | 3,246,775 |
| Educational surcharge payable | 2,726,651 | 2,586,657 |
| Environmental tax payable | 1,712,052 | 2,350,943 |
| Others | 2,113,853 | 5,159,451 |
| | <u>115,425,044</u> | <u>111,967,365</u> |

(22) Other payables

| | 31 December 2019 | 31 December 2018 |
|------------------|--------------------|--------------------|
| Interest payable | 73,251,086 | 73,612,703 |
| Dividend payable | 2,985,563 | 2,846,362 |
| Other payables | 275,138,126 | 476,292,122 |
| | <u>351,374,775</u> | <u>552,751,187</u> |

1、Interest payable

| | 31 December 2019 | 31 December 2018 |
|---|-------------------|-------------------|
| Interest payable for medium term notes | 66,227,425 | 65,267,308 |
| Interest of long-term borrowings with periodic payments of interest and return of principal at maturity | 474,136 | 754,878 |
| Interest payable for short-term borrowings | 6,549,525 | 7,590,517 |
| | <u>73,251,086</u> | <u>73,612,703</u> |

2、Dividend payable

| | 31 December 2019 | 31 December 2018 |
|-----------------------------------|------------------|------------------|
| Restricted share dividend payable | 2,985,563 | 2,846,362 |
| | <u>2,985,563</u> | <u>2,846,362</u> |

4 Notes to the consolidated financial statements (Cont'd)**(22) Other payables (Cont'd)****3、Other payables**

| | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Guarantee deposits received from construction contractors | 75,417,942 | 63,181,510 |
| Accrued cost of sales (i) | 43,270,188 | 37,407,112 |

| | | |
|---|--------------------|--------------------|
| Temporary collection of payment for land transfer | - | 56,106,781 |
| Payable for contracted labour costs | 17,947,192 | 16,030,100 |
| Temporary receipts | 12,276,662 | 13,581,459 |
| Deposit for disabled | 4,735,246 | 4,943,347 |
| Restricted share repurchase obligation | 118,066,397 | 275,748,309 |
| Others | 3,424,499 | 9,293,504 |
| | <u>275,138,126</u> | <u>476,292,122</u> |

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

The ageing of other payables was substantively within 1 year.

(23) Current portion of non-current liabilities

| | 31 December 2019 | 31 December 2018 |
|---|----------------------|--------------------|
| Current portion of long-term borrowings | | |
| - Guaranteed | 125,475,000 | 87,800,000 |
| medium term notes due within 1 year | 1,200,000,000 | - |
| Current portion of finance lease | 386,981,928 | 731,648,742 |
| | <u>1,712,456,928</u> | <u>819,448,742</u> |

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

(24) Long-term borrowings

| | 31 December 2019 | 31 December 2018 |
|-----------------------|----------------------|----------------------|
| Medium term notes (i) | 800,000,000 | 2,000,000,000 |
| Guaranteed | 190,225,000 | 315,700,000 |
| Unsecured | 330,000,000 | - |
| | <u>1,320,225,000</u> | <u>2,315,700,000</u> |

- (i) 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 RMB800,000,000, which expires on 20 March 2020.

On 4 May 2018, the Company issued the Phase I medium term notes of RMB800,000,000 for 2018, with the maturity date of 4 May 2021 and annual rate of 7%.

As at 31 December 2019, the interest of long-term borrowings varied from 4.70% to 7.00% (31 December 2018: 4.75% to 7.00%).

(25) Long-term account payable

| | 31 December 2019 | 31 December 2018 |
|---------------|-------------------|--------------------|
| Finance lease | <u>87,240,529</u> | <u>529,910,796</u> |

The Sale and leaseback lease of the group in this phase is a mortgage loan with a lease term of 36 months. On December 31, 2019, the real interest rate of financing lease loans is 4.49%-7.8%.

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

(26) Deferred income

| | 31 December 2019 | 31 December 2018 |
|-------------------|--------------------|--------------------|
| Government grants | <u>513,925,557</u> | <u>601,825,780</u> |

Government grants are analysed as follows:

| | | Increase in | Other | Non-operating | 31 December | Assets/Income |
|---|--------------------|-------------------|--------------|----------------------|--------------------|-------------------------------|
| | 31 December 2018 | current year | decrease in | income in current | 2019 | related |
| | | | current year | year | | |
| Tianjin CSG Golden Sun Project (i) | 50,342,227 | - | - | (3,374,892) | 46,967,335 | Assets related |
| Dongguan CSG Golden Sun Project (ii) | 40,577,250 | - | - | (2,751,000) | 37,826,250 | Assets related |
| Hebei CSG Golden Sun Project (iii) | 41,250,000 | - | - | (2,750,000) | 38,500,000 | Assets related |
| Xianning CSG Golden Sun Project (iv) | 44,952,417 | - | - | (3,030,500) | 41,921,917 | Assets related |
| Infrastructure compensation for Wujiang CSG Glass Co., Ltd (v) | 35,587,360 | - | - | (4,041,538) | 31,545,822 | Assets related |
| Qingyuan Energy-saving project (vi) | 18,319,167 | - | - | (2,470,000) | 15,849,167 | Assets related |
| Yichang polysilicon products project (vii) | 18,984,375 | - | - | (2,812,500) | 16,171,875 | Assets related |
| Yichang CSG silicon slice auxiliary project (viii) | 9,614,011 | 7,189,255 | - | (1,527,305) | 15,275,961 | Assets related |
| Sichuan energy-saving glass project (ix) | 8,821,440 | - | - | (1,654,020) | 7,167,420 | Assets related |
| Group coating film experimental project (x) | 5,642,520 | - | - | (1,883,760) | 3,758,760 | Assets related |
| Yichang expert silicon project (xi) | 3,327,153 | - | - | (303,178) | 3,023,975 | Assets related |
| Yichang semiconductor silicon project (xii) | 3,133,333 | - | - | (266,667) | 2,866,666 | Assets related |
| Yichang CSG Display project (xiii) | 48,302,126 | - | - | (2,534,478) | 45,767,648 | Assets related |
| Xianning Photoelectric project (xiv) | 7,800,000 | - | - | (520,000) | 7,280,000 | 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) | 62,826,544 | 25,830,000 | - | (88,656,544) | - | Income related |
| | | | | | | Assets related/Income related |
| Others | <u>31,345,857</u> | <u>400,000</u> | <u>-</u> | <u>(2,743,096)</u> | <u>29,002,761</u> | <u>related</u> |
| | <u>601,825,780</u> | <u>33,419,255</u> | <u>-</u> | <u>(121,319,478)</u> | <u>513,925,557</u> | |

- (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.

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

(26)Deferred income (Cont'd)

- (iv) The allowance was granted by Xianning Municipal Government. The allowance was used for establishing PV power station by Xianning CSG Glass Co Ltd. The facilities belonged to

- Xianning CSG upon completion. The allowance will be credited to income statement in 20 years, the useful life of the PV power station.
- (v) The allowance was infrastructure compensation granted by Wujiang municipal government, and will be credited to income statement in 15 years, the shortest operating period as committed by the Group.
 - (vi) The allowance was a pilot project for strategic emerging industry clusters development, which was used to establish high performance ultra-thin electronic glass production lines by Qingyuan CSG. The allowance will be credited to income statement in 10 years, the useful life of the production line.
 - (vii) The balance represented amounts granted to Yi Chang CSG polysilicon Materials Co., Ltd. by Yichang City Dongshan Development Corporation under the provisions of the investment contract signed between the Group and the Municipal Government of Yi Chang. The proceeds were designed for the construction of electricity transformer and the pipelines. Yichangpolysilicon 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 Yichangpolysilicon from the acquiring of the assets and liabilities of Crucible project of YichangHejing Photoelectric Ceramic Co., Ltd. The proceeds would be amortised and credited to income statement by 16 years after related assets were put into use.
 - (ix) It represented the funds granted by Chengdu local government for energy glass project. It will be amortised and credited to income statement in 15 years, in accordance with the minimum operating period committed by the Group.
 - (x) The allowance was granted by Shenzhen City Development and Reform Commission for the development of Group Coating Film experimental project. The grant will be amortised and credited to income statement by 20 years in the estimated useful life of the relevant fixed assets.
 - (xi) It represented the funds granted by Hubei local government for inport discount complement and international corporation special subsidy. The grant will be amortised and credited to income statement by 12 to 15 years.
 - (xii) It represented the special subsidy of Yichang National Regional Strategic Emerging Industry Development Pilot Project II, which is used to complement Yichang CSG PolysSilicon "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.

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

(26) Deferred income (Cont'd)

- (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 who are 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.

(27) Share capital

| | 31 December 2018 | Movement for the year ended 31 December 2019 | | | | 31 December 2019 |
|------------------------------------|----------------------|--|-------------|--------------------|---------------------|----------------------|
| | | New issues during the year | Bonus issue | Capitalisation | Others | |
| RMB-denominated ordinary shares | 1,779,466,998 | - | - | 177,946,699 | 3,909,350 | 1,961,323,047 |
| Limited selling condition shares | 75,292,875 | - | - | 3,764,855 | (42,834,832) | 36,222,898 |
| Domestically listed foreign shares | 1,008,517,328 | - | - | 100,851,732 | - | 1,109,369,060 |
| | <u>2,863,277,201</u> | <u>-</u> | <u>-</u> | <u>282,563,286</u> | <u>(38,925,482)</u> | <u>3,106,915,005</u> |

| | 31 December 2017 | Movement for the year ended 31 December 2018 | | | | 31 December 2018 |
|------------------------------------|----------------------|--|-------------|--------------------|--------------------|----------------------|
| | | New issues during the year | Bonus issue | Capitalisation | Others | |
| RMB-denominated ordinary shares | 1,509,664,303 | - | - | 226,449,645 | 43,353,050 | 1,779,466,998 |
| Limited selling condition shares | 97,511,654 | 9,826,580 | - | 14,626,748 | (46,672,107) | 75,292,875 |
| Domestically listed foreign shares | 876,971,590 | - | - | 131,545,738 | - | 1,008,517,328 |
| | <u>2,484,147,547</u> | <u>9,826,580</u> | <u>-</u> | <u>372,622,131</u> | <u>(3,319,057)</u> | <u>2,863,277,201</u> |

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

(28) Capital surplus

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|---|----------------------|--------------------------|--------------------------|--------------------|
| Share premium | 1,123,780,211 | 2,978,832 | (387,924,193) | 738,834,850 |
| Other capital surplus | (28,440,790) | 24,845,972 | (52,020,674) | (55,615,492) |
| Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method | 757,420 | - | - | 757,420 |
| Share-based payment | 29,986,385 | 24,845,972 | (52,020,674) | 2,811,683 |
| Transfer of capital surplus recognised under the previous accounting system | (2,250,222) | - | - | (2,250,222) |
| Disposal of fractional shares | 1,316,208 | - | - | 1,316,208 |
| Purchase of minority interests | (87,197,562) | - | - | (87,197,562) |
| Shareholders interest-free loans | 28,946,981 | - | - | 28,946,981 |
| | <u>1,095,339,421</u> | <u>27,824,804</u> | <u>(439,944,867)</u> | <u>683,219,358</u> |

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

(28) Capital surplus (Cont'd)

| | 31 December 2017 | Increase in current year | Decrease in current year | 31 December 2018 |
|---|------------------|--------------------------|--------------------------|------------------|
| Share premium | 1,353,802,562 | 151,633,385 | (381,655,736) | 1,123,780,211 |
| Other capital surplus | (47,420,797) | 144,278,158 | (125,298,151) | (28,440,790) |
| Share of changes in equity other than comprehensive income and profit distribution of investees under the equity method | 757,420 | - | - | 757,420 |
| Share-based payment | 11,006,378 | 144,278,158 | (125,298,151) | 29,986,385 |
| Transfer of capital surplus recognised under the previous accounting system | (2,250,222) | - | - | (2,250,222) |
| Disposal of fractional shares | 1,316,208 | - | - | 1,316,208 |
| Purchase of minority interests | (87,197,562) | - | - | (87,197,562) |

| | | | | |
|----------------------------------|---------------|-------------|---------------|---------------|
| Shareholders interest-free loans | 28,946,981 | - | - | 28,946,981 |
| | 1,306,381,765 | 295,911,543 | (506,953,887) | 1,095,339,421 |

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

The Company held the 2018 annual general meeting of shareholders on May 9, 2019 and decided to transfer 1.0 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 surplus decreased by RMB 282,563,286;

On December 12 2018, the company held the 8th temporary meeting of Board members and the 8th temporary meeting of Supervisors. The meetings reviewed and approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”. The company agreed to repurchase and cancel the restricted shares which have already been granted to and held by 8 recipients unqualified for the “incentive plan”. A total of 436,719 shares were approved to be repurchased at the 3rd temporary meeting of shareholders on December 28, 2018. By June 18 2019, the cancellations procedure of above restricted shares have been accomplished.

On April 16, 2019, the company held the 8th meeting of the 8th board of directors, and the 8th meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”, and the “Proposal concerning the repurchase and cancellation of restricted shares failing to meet the second-term unlocking condition”. The meetings approved to repurchase and cancel a total of 3,473,329 restricted shares which have already been granted to and held by 14 recipients who are unqualified for the “incentive plan”, and repurchase and cancel a total of 33,734,276 restricted shares failing to meet the second-term unlocking condition from 483 “incentive” recipients. Independent directors agreed with this and it was approved by the annual general meeting of shareholders on May 9 2019. By June 18 2019, the cancellations procedure of above restricted shares have been accomplished.

On September 16 2019, the Company held the 8th temporary meeting of Board member members and the 8th temporary meeting of Supervisors, 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 71 recipients of the incentive plan were able to fulfil the conditions. The amount of 3,909,350 shares could be released from restrictions. The restricted shares was released and listed by company on September 25 2019.

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

(28) Capital surplus (Cont'd)

On September 16 2019, the Company held the 8th temporary meeting of Board members and the 8th temporary meeting of Supervisors. The meetings reviewed and approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”. The meetings approved to repurchase and cancel a total of 1,281,158 restricted shares which have already been granted to and held by 18 recipients unqualified for the “incentive plan”, this was reviewed and approved by the 4th temporary meeting of shareholders on October 10 2019. The cancellations of above restricted shares have not been finished yet.

(29) Treasury shares

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|--|------------------|-----------------------------|-----------------------------|------------------|
| Obligations of restricted share buybacks | 277,180,983 | - | (159,114,586) | 118,066,397 |
| | 277,180,983 | - | (159,114,586) | 118,066,397 |

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

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

(30) Other comprehensive income

| | Other comprehensive income in Balance Sheet | | | Other comprehensive income in Income Statement for the year ended 31 December 2019 | | | | |
|--|---|--|------------------|--|---|---------------------------|--|---|
| | 31 December 2018 | Attributable to parent company after tax | 31 December 2019 | Actual amount before tax for current year | Less: Reclassification of previous other comprehensive income to profit or loss in current year | Less: Income tax expenses | Attributable to parent company after tax | Attributable to minority shareholders after tax |
| Other comprehensive income items which will be reclassified subsequently to profit or loss | | | | | | | | |
| Financial rewards for energy-saving technical retrofits | 2,550,000 | | 2,550,000 | - | - | - | - | - |
| Difference on translation of foreign currency financial statements | 2,530,234 | 1,485,630 | 4,015,864 | 1,485,630 | - | - | 1,485,630 | - |
| | <u>5,080,234</u> | <u>1,485,630</u> | <u>6,565,864</u> | <u>1,485,630</u> | <u>-</u> | <u>-</u> | <u>1,485,630</u> | <u>-</u> |
| | Other comprehensive income in Balance Sheet | | | Other comprehensive income in Income Statement for the year ended 31 December 2018 | | | | |
| | 31 December 2017 | Attributable to parent company after tax | 31 December 2018 | Actual amount before tax for current year | Less: Reclassification of previous other comprehensive income to profit or loss in current year | Less: Income tax expenses | Attributable to parent company after tax | Attributable to minority shareholders after tax |
| Other comprehensive income items which will be reclassified subsequently to profit or loss | | | | | | | | |
| Financial rewards for energy-saving technical retrofits | 2,550,000 | - | 2,550,000 | - | - | - | - | - |
| Difference on translation of foreign currency financial statements | (601,057) | 3,131,291 | 2,530,234 | 3,131,291 | - | - | 3,131,291 | - |
| | <u>1,948,943</u> | <u>3,131,291</u> | <u>5,080,234</u> | <u>3,131,291</u> | <u>-</u> | <u>-</u> | <u>3,131,291</u> | <u>-</u> |

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

(31) Special reserve

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|-------------------------|---------------------|-----------------------------|-----------------------------|---------------------|
| Safety production costs | 6,068,600 | 7,293,766 | (2,259,445) | 11,102,921 |

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

(32) Surplus reserve

| | 31 December 2018 | Increase in current year | Decrease in current year | 31 December 2019 |
|-------------------------------|---------------------|-----------------------------|-----------------------------|---------------------|
| Statutory surplus reserve | 796,452,807 | 21,945,911 | - | 818,398,718 |
| Discretionary surplus reserve | 127,852,568 | - | - | 127,852,568 |
| | <u>924,305,375</u> | <u>21,945,911</u> | <u>-</u> | <u>946,251,286</u> |

| | 31 December 2017 | Increase in current year | Decrease in current year | 31 December 2018 |
|-------------------------------|---------------------|-----------------------------|-----------------------------|---------------------|
| Statutory surplus reserve | 792,739,764 | 3,713,043 | - | 796,452,807 |
| Discretionary surplus reserve | 127,852,568 | - | - | 127,852,568 |
| | <u>920,592,332</u> | <u>3,713,043</u> | <u>-</u> | <u>924,305,375</u> |

In accordance with the *Company Law of the People's Republic of China* and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. The Company accrued statutory surplus reserve at the amount of RMB21,945,911 based on 10% of the net profit, in 2019 (2018: RMB3,713,043 accrued at 10% of the net profit).

The Company appropriates for the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. The Company did not appropriate to discretionary surplus reserve during the year.

4 Notes to the consolidated financial statements (Cont'd)**(33) Undistributed profits**

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Undistributed profit at the beginning of year | 4,486,264,723 | 4,159,642,227 |
| Add: Net profits attributable to shareholders of parent company | 536,430,818 | 452,965,935 |
| Less: Appropriation for statutory surplus reserve | (21,945,911) | (3,713,043) |
| Ordinary share dividends payable (a) | (141,148,789) | (122,630,396) |
| Undistributed profits at end of year | <u>4,859,600,841</u> | <u>4,486,264,723</u> |

- (a) Pursuant to the resolution of Board of Directors of the Company on 9 May 2019, the Company paid cash dividends of RMB0.5 (tax inclusive) for each 10 shares based on total shares of 2,825,632,877, with the total cash dividends distributed of RMB141,281,644.

Recipients resigned were expected to be decreased revocable cash dividends of RMB 132,855 in current year.

(34) Revenue and cost of sales

| | 2019 | 2018 |
|-------------------------------|-----------------------|-----------------------|
| Revenue from main operations | 10,390,235,115 | 10,536,501,926 |
| Revenue from other operations | <u>81,792,984</u> | <u>73,461,085</u> |
| | <u>10,472,028,099</u> | <u>10,609,963,011</u> |

| | 2019 | 2018 |
|-------------------------------------|----------------------|----------------------|
| Cost of sales from main operations | 7,738,447,136 | 8,112,012,841 |
| Cost of sales from other operations | <u>4,682,478</u> | <u>8,469,053</u> |
| | <u>7,743,129,614</u> | <u>8,120,481,894</u> |

- (a) Revenue and cost of sales from main operations

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

| | 2019 | | 2018 | |
|------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Revenue | Cost | Revenue | Cost |
| Glass industry | 7,907,268,375 | 5,771,311,137 | 7,385,946,431 | 5,375,433,121 |
| Solarenergy industry | 1,498,836,942 | 1,287,850,977 | 2,296,917,214 | 2,170,991,475 |
| Electronic glass and display | 1,041,131,329 | 736,286,553 | 955,864,280 | 666,108,617 |
| Elimination | <u>(57,001,531)</u> | <u>(57,001,531)</u> | <u>(102,225,999)</u> | <u>(100,520,372)</u> |
| | <u>10,390,235,115</u> | <u>7,738,447,136</u> | <u>10,536,501,926</u> | <u>8,112,012,841</u> |

4 Notes to the consolidated financial statements (Cont'd)**(34) Revenue and cost of sales (Cont'd)****(b) Revenue and cost of sales from other operations**

| | 2019 | | 2018 | |
|-----------------------------------|-------------------|------------------|-------------------|------------------|
| | Revenue | Cost | Revenue | Cost |
| Sales of raw materials and Others | 81,792,984 | 4,682,478 | 73,461,085 | 8,469,053 |
| | <u>81,792,984</u> | <u>4,682,478</u> | <u>73,461,085</u> | <u>8,469,053</u> |

(35) Taxes and surtax

| | 2019 | 2018 |
|---------------------------------------|--------------------|--------------------|
| City maintenance and construction tax | 31,635,208 | 37,842,081 |
| Educational surcharge | 26,205,282 | 29,975,981 |
| Housing property tax | 31,118,379 | 31,453,204 |
| Land use rights | 13,478,338 | 20,147,106 |
| Stamp tax | 4,994,475 | 5,492,647 |
| Environmental tax | 8,176,508 | 10,136,863 |
| Others | 205,578 | 5,376,969 |
| | <u>115,813,768</u> | <u>140,424,851</u> |

(36) Selling expenses

| | 2019 | 2018 |
|--------------------------|--------------------|--------------------|
| Freight expenses | 166,179,716 | 163,197,092 |
| Employee benefits | 154,777,915 | 120,513,530 |
| Entertainment fees | 15,906,226 | 14,654,064 |
| Business travel expenses | 12,222,218 | 11,066,121 |
| Vehicle use fees | 8,061,636 | 8,480,143 |
| Rental expenses | 7,050,606 | 6,469,600 |
| Depreciation expenses | 906,236 | 973,181 |
| Others | 24,164,682 | 29,629,728 |
| | <u>389,269,235</u> | <u>354,983,459</u> |

4 Notes to the consolidated financial statements (Cont'd)**(37) Administrative expenses**

| | 2019 | 2018 |
|-----------------------------------|--------------------|--------------------|
| Employee benefits | 335,972,452 | 442,272,618 |
| Depreciation expenses | 64,780,698 | 62,737,730 |
| Amortisation of intangible assets | 55,705,919 | 50,567,703 |
| General office expenses | 23,368,748 | 22,933,432 |
| Labour union funds | 14,435,214 | 15,317,022 |
| Entertainment fees | 12,872,934 | 14,159,098 |
| Business travel expenses | 10,031,106 | 11,903,093 |
| Utility fees | 7,528,252 | 10,833,683 |
| Canteen costs | 7,514,315 | 8,202,537 |
| Vehicle use fees | 5,630,014 | 6,853,349 |
| Consulting advisers | 32,345,028 | 32,308,070 |
| Others | 32,405,970 | 53,126,916 |
| | <u>602,590,650</u> | <u>731,215,251</u> |

(38) Research and development expenses

| | 2019 | 2018 |
|-----------------------------------|--------------------|--------------------|
| Research and development expenses | <u>366,871,283</u> | <u>338,791,891</u> |
| | <u>366,871,283</u> | <u>338,791,891</u> |

(39) Financial expenses

| | 2019 | 2018 |
|----------------------------|--------------------|--------------------|
| Interest on borrowings | 328,728,246 | 423,763,192 |
| Less: Capitalised interest | (9,136,496) | (22,136,125) |
| Interest expenses | 319,591,750 | 401,627,067 |
| Less: Interest income | (36,942,509) | (61,857,535) |
| Exchange losses | (2,869,494) | (4,955,956) |
| Others | 10,637,656 | 14,589,911 |
| | <u>290,417,403</u> | <u>349,403,487</u> |

4 Notes to the consolidated financial statements (Cont'd)**(40) Expenses by nature**

The cost of sales, selling and distribution expenses, general and administrative expenses, Research and development expenses in the income statement are listed as follows by nature:

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Changes in inventories of finished goods and work in progress | (219,047,868) | 98,883,578 |
| Consumed raw materials and low value consumables, etc. | 4,582,575,201 | 4,545,216,065 |
| Fuel fee | 1,389,885,293 | 1,223,356,407 |
| Employee benefits | 1,263,114,743 | 1,335,584,375 |
| Depreciation and amortisation expenses | 972,774,759 | 1,018,151,059 |
| Utility fees | 627,935,953 | 813,320,471 |
| Freight expenses | 174,194,886 | 171,566,693 |
| General office expenses | 45,273,414 | 42,726,767 |
| Canteen costs | 35,334,186 | 37,952,058 |
| Business travel expenses | 26,251,183 | 27,455,316 |
| Entertainment fees | 31,635,784 | 31,045,998 |
| Vehicle use fee | 15,028,995 | 16,882,396 |
| Rental expenses | 11,370,775 | 11,212,221 |
| Others | 145,533,478 | 172,119,091 |
| | <u>9,101,860,782</u> | <u>9,545,472,495</u> |

(41) Other income

| | 2019 | 2018 |
|---------------------------------|--------------------|-------------------|
| Government subsidy amortization | 121,319,478 | 42,084,669 |
| Industry support funds | 20,938,172 | 17,950,780 |
| Research grants | 5,641,262 | 10,368,881 |
| Government incentive funds | 19,639,753 | 13,647,951 |
| Others | 16,592,755 | 10,565,758 |
| | <u>184,131,420</u> | <u>94,618,039</u> |

(42) Credit impairment losses

| | 2019 | 2018 |
|--|-------------------|----------|
| Losses on bad debts of accounts receivable | 8,893,212 | - |
| Losses on bad debts of other receivables | 11,220,821 | - |
| | <u>20,114,033</u> | <u>-</u> |

(43) Asset impairment losses

| | 2019 | 2018 |
|---------------------------------|-------------|------------|
| Impairment loss of fixed assets | 280,503,012 | 12,373,970 |

| | | |
|---|--------------------|--------------------|
| Decline in the value of inventories | 4,834,569 | 497,272 |
| Impairment loss in construction in progress | 116,364,704 | 102,464,495 |
| Impairment loss in goodwill | 61,622,400 | 20,672,000 |
| Accounts receivable/other receivables impairment losses | - | 538,413 |
| | <u>463,324,685</u> | <u>136,546,150</u> |

(44) Asset disposal income

| | | |
|---|------------------|------------------|
| | 2019 | 2018 |
| Gains on disposal of non-current assets | (909,968) | (454,368) |
| | <u>(909,968)</u> | <u>(454,368)</u> |

(45) Non-operating income

| | | | |
|-----------------------|------------------|-------------------|---|
| | 2019 | 2018 | Amount of non-recurring gains and losses included in 2019 |
| Government grants (a) | - | 217,500 | - |
| Default income | - | 50,400 | - |
| Compensation income | 4,557,620 | 6,537,875 | 4,557,620 |
| Amounts unable to pay | 1,384,296 | 4,778,583 | 1,384,296 |
| Others | 1,885,918 | 2,274,293 | 1,885,918 |
| | <u>7,827,834</u> | <u>13,858,651</u> | <u>7,827,834</u> |

(46) Non-operating expenses

| | | | |
|--------------|------------------|------------------|---|
| | 2019 | 2018 | Amount of non-recurring gains and losses included in 2019 |
| Compensation | 4,126,950 | - | 4,126,950 |
| Donation | 1,659,000 | 260,033 | 1,659,000 |
| Others | 3,654,137 | 1,281,438 | 3,654,137 |
| | <u>9,440,087</u> | <u>1,541,471</u> | <u>9,440,087</u> |

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

(47) Income tax expenses

| | | |
|---------------------|--------------------|-------------------|
| | 2019 | 2018 |
| Current income tax | 159,871,302 | 129,842,061 |
| Deferred income tax | (58,184,252) | (57,453,770) |
| | <u>101,687,050</u> | <u>72,388,291</u> |

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

| | 2019 | 2018 |
|---|--------------|--------------|
| Total profit | 662,106,627 | 544,596,879 |
| Income tax expenses calculated at applicable tax rates by company | 94,958,274 | 64,115,428 |
| Effect of changes in tax rates | 2,130,542 | 1,512,060 |
| Costs, expenses and losses not deductible for tax purposes | 2,091,925 | 19,250,051 |
| Deductible losses of unrecognised deferred income tax assets in the previous period | (2,495,678) | - |
| Deductible losses for which no deferred tax asset was recognised in current period | 44,552,208 | 36,559,709 |
| Effect of tax incentives | (37,141,013) | (32,258,314) |
| Reconciliation of income tax for prior years in annual filing | (2,409,208) | (16,790,643) |
| Income tax expenses | 101,687,050 | 72,388,291 |

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

(48) Earnings per share

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

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

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

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

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

(a) Basic earnings per share:

| | 2019 | 2018 |
|---|---------------|---------------|
| Consolidated net profit attributable to ordinary shareholders of parent company | 536,430,818 | 452,965,935 |
| Weighted average number of outstanding ordinary | 3,070,692,107 | 3,066,782,757 |
| Basic earnings per share | 0.17 | 0.15 |

(b) Diluted earnings per share:

Diluted earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the parent company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of outstanding ordinary shares of the Company. For the year ended 31 December 2019, the Company had diluted earnings per shares of RMB 0.17 (2018: RMB 0.14 per share).

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

(49) Notes to the cash flow statement

(a) Cash generated by other operating activities

| | 2019 | 2018 |
|-------------------|--------------------|--------------------|
| Government grants | 96,231,197 | 136,520,750 |
| Interest income | 36,942,509 | 61,857,535 |
| Others | 25,288,419 | 17,445,309 |
| | <u>158,462,125</u> | <u>215,823,594</u> |

(b) Cash paid relating to other operating activities

| | 2019 | 2018 |
|-----------------------------------|--------------------|--------------------|
| Freight expenses | 187,867,670 | 194,159,982 |
| Canteen costs | 35,334,186 | 37,952,058 |
| General office expenses | 37,580,121 | 34,495,884 |
| Research and development expenses | 34,156,735 | 35,304,568 |
| Business travel expenses | 27,054,902 | 28,171,433 |
| Entertainment fees | 28,986,055 | 28,744,002 |
| Vehicle use fee | 15,028,995 | 16,882,396 |
| Maintenance fee | 27,637,953 | 34,453,953 |
| Rental expenses | 11,370,775 | 11,212,221 |
| Insurance | 12,270,654 | 11,942,647 |
| Fees | 10,637,656 | 14,589,911 |
| Consulting advisers | 20,605,172 | 16,675,549 |
| Others | 154,665,671 | 139,201,836 |
| | <u>603,196,545</u> | <u>603,786,440</u> |

(c) Cash generated by other investing activities

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Income from trial production of construction in progress | 33,207,228 | 30,517,662 |
| Deposit | 3,442,232 | 537,656 |
| | <u>36,649,460</u> | <u>31,055,318</u> |

(d) Cash paid relating to other investing activities

| | 2019 | 2018 |
|--|-------------------|--------------------|
| Trial production expenditure in construction | 55,177,375 | 118,263,080 |
| | <u>55,177,375</u> | <u>118,263,080</u> |

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

(49) Notes to the cash flow statement (Cont'd)

(e) Cash generated by other financing activities

| | 2019 | 2018 |
|---------------------------|--------------------|----------|
| Income from finance lease | 200,000,000 | - |
| | <u>200,000,000</u> | <u>-</u> |

(f) Cash payments relating to other financing activities

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Repay financing leases | 1,024,419,924 | 688,061,105 |
| Deposit | 150,493,884 | 10,098,279 |
| Payment of loan, security and fee for bills | 11,591,508 | 9,613,905 |
| Entrusted loan | - | 300,000,000 |
| Equity incentive fund | 144,286,387 | 12,352,662 |
| | <u>1,330,791,703</u> | <u>1,020,125,951</u> |

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

(50) Supplementary information to the cash flow statement

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

| | 2019 | 2018 |
|--|--------------|--------------|
| Net profit | 560,419,577 | 472,208,588 |
| Add: Provision for asset impairment | 463,324,685 | 136,546,150 |
| Provision for credit impairment | 20,114,033 | - |
| Depreciation of fixed assets | 915,355,376 | 965,935,450 |
| Amortisation of intangible assets | 55,705,919 | 50,567,703 |
| Net movements of safety production costs | 5,034,321 | 2,843,662 |
| Amortisation of long-term prepaid expenses | 1,713,464 | 1,647,906 |
| Employee compensation based on shares | (24,195,870) | 141,486,074 |
| Losses on disposal of fixed assets and intangible assets | 909,968 | 454,368 |
| Financial expenses | 319,591,750 | 401,627,067 |
| Decrease/(increase) in deferred tax assets | (66,263,069) | (58,656,656) |

| | | |
|---|----------------------|----------------------|
| Increase/(decrease) in deferred tax liabilities | 8,078,817 | 1,202,886 |
| (Increase)/decrease in inventories | (216,530,491) | 85,267,118 |
| Increase in operating payables | 106,031,510 | (63,345,244) |
| Increase in operating receivables | 229,746,330 | (7,406,972) |
| Net cash flows from operating activities | <u>2,379,036,320</u> | <u>2,130,378,100</u> |

(b) Net increase/(decrease) in cash

| | | |
|--|------------------------|------------------------|
| | 2019 | 2018 |
| Cash and cash equivalents at end of year | 1,831,835,030 | 2,225,126,913 |
| Less: Cash and cash equivalents at beginning of year | <u>(2,225,126,913)</u> | <u>(2,459,753,165)</u> |
| Net increase in cash and cash equivalents | <u>(393,291,883)</u> | <u>(234,626,252)</u> |

(c) Cash and cash equivalents

| | | |
|---|----------------------|----------------------|
| | 31 December 2019 | 31 December 2018 |
| Cash | | |
| - Cash on hand | 4,268 | 9,731 |
| - Bank deposits that can be readily drawn on demand | 1,781,830,762 | 2,225,117,182 |
| - Other cash balances that can be readily drawn on demand | 50,000,000 | - |
| Cash at end of year | <u>1,831,835,030</u> | <u>2,225,126,913</u> |

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

(51) Assets with restricted ownership or use rights

| | | | |
|-------------------------------|----------------------|----------------------|---|
| | 2019 | 2018 | Reason |
| Monetary assets | 155,145,388 | 1,320,807 | Restricted deposit flow |
| Property, plant and equipment | 1,373,926,910 | 2,381,348,551 | Limited finance lease and Restricted mortgage loan |
| | <u>1,529,072,298</u> | <u>2,382,669,358</u> | |

(52) Monetary items denominated in foreign currencies

| | 31 December 2019 | | |
|----------------------------|--|-------------------|-----------------------------------|
| | Balances denominated in foreign currencies | Exchange rates | Balances denominated in RMB |
| Cash at bank and on hand - | | | |
| HKD | 4,362,390 | 0.8958 | 3,907,829 |
| USD | 6,007,221 | 6.9762 | 41,907,573 |
| EUR | 43,578 | 7.8155 | 340,581 |
| JPY | 139,579 | 0.0641 | 8,947 |
| AUD | 1,036 | 4.8843 | 5,061 |
| | | | <u>46,169,991</u> |
| Accounts receivable - | | | |

| | | | |
|---------------------------|------------|--------|-------------------|
| HKD | 1,660,767 | 0.8958 | 1,487,715 |
| USD | 11,580,769 | 6.9762 | 80,789,758 |
| EUR | 963,092 | 7.8155 | 7,527,045 |
| | | | <u>89,804,518</u> |
| Short-term borrowings - | | | |
| HKD | 75,000,000 | 0.8958 | 67,185,000 |
| USD | 707,894 | 6.9762 | 4,938,410 |
| | | | <u>72,123,410</u> |
| Accounts payable - | | | |
| HKD | 307 | 0.8958 | 275 |
| USD | 5,677,799 | 6.9762 | 39,609,462 |
| EUR | 1,363,733 | 7.8155 | 10,658,259 |
| JPY | 15,132,512 | 0.0641 | 969,994 |
| | | | <u>51,237,990</u> |
| Advances from customers - | | | |
| HKD | 4,287,367 | 0.8958 | 3,840,623 |
| USD | 3,180,005 | 6.9762 | 22,184,351 |
| EUR | 48,671 | 7.8155 | 380,388 |
| | | | <u>26,405,362</u> |

5 The changes of consolidation scope

On 21 March 2019, the Group set up a subsidiary, Zhuhai CSG Commercial Factoring Co., Ltd. and the Group has invested RMB 50,000,000. The Group owns 100% of its equity.

On 14 May 2019, the Group set up a subsidiary, Zhuhai Hengqin New District CSG Glass Industry Co., Ltd. and the Group has invested RMB 6,000,000. The Group owns 100% of its equity.

On 11 June 2019, the Group set up a subsidiary, Shenzhen CSG Supply Chain Management Service Co., Ltd. and the Group has invested RMB 6,000,000. The Group owns 100% of its equity.

The Group established a subsidiary company, Changshu CSG New Energy Co., Ltd. on 24 July 2019, and the Group has not invested yet. The Company holds 100% of its shares.

The Group established a subsidiary company, Changshu CSG New Energy Co., Ltd. on 6 August 2019, and the Group has not invested yet. The Company holds 100% of its shares.

On 13 December 2019, the Group set up a subsidiary, Zhaoqing CSG Energy-saving Glass Co., Ltd. and the Group has invested RMB 12,801,000. The Group owns 100% of its equity.

On 13 December 2019, the Group set up a subsidiary, Zhaoqing CSG Automotive Glass Co., Ltd. and the Group has invested RMB 12,601,000. The Group owns 100% of its equity.

6 Interest in subsidiaries

(1) Interest in subsidiaries

(a) Structure of the enterprise group

As at 31 December 2019, information of the Company's major subsidiaries is set out below:

| Major business | Place of registration | Scope of business | Shareholding (%) |
|-------------------|--------------------------|-------------------|---------------------|
|-------------------|--------------------------|-------------------|---------------------|

| | location | | | Direct | Indirect |
|--|----------------|----------------|--|--------|----------|
| Chengdu CSG | Chengdu, PRC | Chengdu, PRC | Development, production and sales of special glass | 75% | 25% |
| Sichuan CSG Energy Conservation | Chengdu, PRC | Chengdu, PRC | Development, production and sales of special glass and processing of glass | 75% | 25% |
| Tianjin Energy Conservation | Tianjin, PRC | Tianjin, PRC | Development, production and sales of special glass | 75% | 25% |
| Dongguan CSG Engineering | Dongguan, PRC | Dongguan, PRC | Intensive processing of glass | 75% | 25% |
| Dongguan CSG Solar | Dongguan, PRC | Dongguan, PRC | Production and sales of solar glass | 75% | 25% |
| Dongguan CSG PV-tech | Dongguan, PRC | Dongguan, PRC | Production and sales of hi-tech green battery and components | - | 100% |
| Yichang CSG Polysilicon | Yichang, PRC | Yichang, PRC | Production and sales of high-purity silicon materials | 75% | 25% |
| Wujiang CSG Engineering | Wujiang, PRC | Wujiang, PRC | Intensive processing of glass | 75% | 25% |
| Hebei CSG | Yongqing, PRC | Yongqing, PRC | Production and sales of special glass | 75% | 25% |
| Wujiang CSG | Wujiang, PRC | Wujiang, PRC | Production and sales of special glass | 100% | - |
| China Southern Glass (Hong Kong) Limited | Hong Kong, PRC | Hong Kong, PRC | Investment holding | 100% | - |
| HebeiShichuang | Yongqing, PRC | Yongqing, PRC | Production and sales of ultra-thin electronic glass | 100% | - |
| Xianning CSG | Xianning, PRC | Xianning, PRC | Production and sales of special glass | 75% | 25% |
| Xianning CSG Energy-Saving | Xianning, PRC | Xianning, PRC | Intensive processing of glass | 75% | 25% |
| Qingyuan CSG Energy-Saving | Qingyuan, PRC | Qingyuan, PRC | Production and sales of ultra-thin electronic glass | 100% | - |
| Shenzhen CSG Financial Leasing Co., Ltd. | Shenzhen, PRC | Shenzhen, PRC | Finance leasing, etc. | 75% | 25% |
| Jiangyou CSG Mining Development Co. Ltd. | Jiangyou, PRC | Jiangyou, PRC | Production and sales of silica and its by-products | 100% | - |
| Shenzhen CSG PV Energy Co., Ltd. | Shenzhen, PRC | Shenzhen, PRC | Investment management of photovoltaic plant | 100% | - |
| Qingyuan CSG New Energy Co., Ltd. | Qingyuan, PRC | Qingyuan, PRC | Clean energy development, photovoltaic power generation | - | 100% |
| Suzhou CSG PV-tech Co., Ltd. | Wujiang, PRC | Wujiang, PRC | Clean energy development, photovoltaic power generation | - | 100% |
| Wujiang CSG New Energy Co., Ltd. | Wujiang, PRC | Wujiang, PRC | Clean energy development, photovoltaic power generation | - | 100% |
| Yichang CSG New Energy Co., Ltd. | Yichang, PRC | Yichang, PRC | Clean energy development, photovoltaic power generation | - | 100% |
| Shenzhen CSG Display: | Shenzhen, PRC | Shenzhen, PRC | Production and sales of display component products | 60.80% | - |
| Xianning CSG Photoelectric | Xianning, PRC | Xianning, PRC | Photoelectric glass and high aluminium glass | 50% | 50% |
| Zhaoqing Energy Saving Company | Zhaoqing, PRC | Zhaoqing, PRC | Production and sales of various special glasses | 100% | |
| Zhaoqing Automobile Company | Zhaoqing, PRC | Zhaoqing, PRC | Production and sales of various special glasses | 100% | |

6 Interest in subsidiaries (Cont'd)

(1) Interest in subsidiaries (Cont'd)

(b) Subsidiaries with significant minority interests

| Subsidiaries | Shareholding of minority shareholders | Profit or loss attributable to minority shareholders for the year ended 31 December 2019 | Dividends distributed to minority shareholders for the year ended 31 December 2019 | Minority interests as at 31 December 2019 |
|----------------------|---------------------------------------|--|--|---|
| Shenzhen CSG Display | 39.20% | 22,162,525 | - | 340,965,381 |

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

| | 31 December 2019 | | | | | |
|----------------------|------------------|--------------------|---------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Shenzhen CSG Display | 215,814,081 | 1,426,057,340 | 1,641,871,421 | 612,571,719 | 118,439,954 | 731,011,673 |

| | 2019 | | | |
|----------------------|-------------|------------|----------------------------|--------------------------------------|
| | Revenue | Net profit | Total comprehensive income | Cash flows from operating activities |
| Shenzhen CSG Display | 561,179,168 | 65,100,006 | 65,100,006 | 98,934,841 |

7 Segment information

-

The Group's business activities are classified by product and service as follows:

- Glass segment, engaged in production and sales of float glass and engineering glass and the silica for the production thereof, etc.
- Solar energy segment, engaged in manufacturing and sales of polycrystalline silicon and solar battery and applications, etc.
- Electronic glass and display segment is responsible for production and sales of display components and special ultra-thin glass products, etc.

The reportable segments of the Group are the business units that provide different products or service. Different businesses require different technologies and marketing strategies. The Group, therefore, separately manages the production and operation of each reportable segment and Estimates their operating results respectively, in order to make decisions about resources to be allocated to these segments and to assess their performance.

Inter-segment transfer prices are measured by reference to selling prices to third parties.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Expenses indirectly attributable to each segment are allocated to the segments based on the proportion of each segment's revenue.

7 Segment information (Cont'd)

(a) Segment information as at and for the year ended 31 December 2019 is as follows:

| | Flat glass | Electronic glass and displays | Solar energy | Others | Unallocated | Elimination | Total |
|--|--------------------------|----------------------------------|--------------------------|----------------------|--------------------------|---------------|---------------------------|
| Revenue from external customers | 7,919,060,504 | 1,041,459,512 | 1,499,613,429 | - | 11,894,654 | - | 10,472,028,099 |
| Inter-segment revenue | 60,720,111 | 2,748,558 | 42,593,191 | - | 70,311,058 | (176,372,918) | - |
| Interest income | 2,298,783 | 1,462,028 | 255,368 | 111,519 | 32,814,811 | - | 36,942,509 |
| Interest expenses | (106,131,665) | (25,138,973) | (34,842,227) | - | (153,625,419) | 146,534 | (319,591,750) |
| Asset impairment losses | (599,105) | - | (401,103,180) | - | (61,622,400) | - | (463,324,685) |
| Credit impairment loss | (14,142,940) | (131,168) | (5,826,252) | (65,127) | 51,454 | - | (20,114,033) |
| Depreciation and amortisation expenses | (613,199,303) | (185,107,441) | (168,524,801) | (24,155) | (5,919,059) | - | (972,774,759) |
| Total profit/(loss) | 1,075,860,225 | 237,606,588 | (395,689,706) | (997,765) | (254,672,715) | - | 662,106,627 |
| Income tax (expenses)/income | (141,068,203) | (30,038,136) | 67,558,364 | 242,921 | 1,618,004 | - | (101,687,050) |
| Net profit/(loss) | <u>934,792,022</u> | <u>207,568,452</u> | <u>(328,131,342)</u> | <u>(754,844)</u> | <u>(253,054,711)</u> | <u>-</u> | <u>560,419,577</u> |
| Total assets | <u>8,101,022,462</u> | <u>3,293,542,774</u> | <u>3,989,824,264</u> | <u>9,179,715</u> | <u>2,807,666,744</u> | <u>-</u> | <u>18,201,235,959</u> |
| Total liabilities | <u>2,190,661,316</u> | <u>757,717,011</u> | <u>594,782,284</u> | <u>3,021,444</u> | <u>4,789,198,376</u> | <u>-</u> | <u>8,335,380,431</u> |
| Increase in non-current assets | <u>190,498,106</u> | <u>143,904,520</u> | <u>189,301,563</u> | <u>-</u> | <u>3,954,944</u> | <u>-</u> | <u>527,659,133</u> |

7 Segment information (Cont'd)

(b) Segment information as at and for the year ended 31 December 2018 is as follows:

| | Flat glass | Electronic glass and displays | Solar energy | Others | Unallocated | Elimination | Total |
|--|--------------------------|----------------------------------|--------------------------|----------------------|--------------------------|--------------------|---------------------------|
| Revenue from external customers | 7,348,784,136 | 959,296,761 | 2,300,739,737 | - | 1,142,377 | - | 10,609,963,011 |
| Inter-segment revenue | 104,770,988 | 778,667 | 41,036,737 | - | 57,758,560 | (204,344,952) | - |
| Interest income | 3,071,723 | 173,121 | 458,674 | 621 | 58,153,396 | - | 61,857,535 |
| Interest expenses | (166,301,267) | (18,270,988) | (84,347,386) | - | (132,907,678) | 200,252 | (401,627,067) |
| Asset impairment losses | (427,608) | (34,175) | (115,389,417) | - | (20,694,950) | - | (136,546,150) |
| Depreciation and amortisation expenses | (596,848,697) | (143,796,422) | (270,419,285) | (24,083) | (7,062,572) | - | (1,018,151,059) |
| Total profit/(loss) | 915,309,261 | 163,147,030 | (296,236,904) | (25,076) | (235,891,805) | (1,705,627) | 544,596,879 |
| Income tax (expenses)/income | (113,371,067) | (20,814,888) | 58,961,350 | - | 2,836,314 | - | (72,388,291) |
| Net profit/(loss) | <u>801,938,194</u> | <u>142,332,142</u> | <u>(237,275,554)</u> | <u>(25,076)</u> | <u>(233,055,491)</u> | <u>(1,705,627)</u> | <u>472,208,588</u> |
| Total assets | <u>8,463,669,998</u> | <u>3,209,225,123</u> | <u>4,665,311,805</u> | <u>641,334</u> | <u>2,775,385,924</u> | <u>-</u> | <u>19,114,234,184</u> |
| Total liabilities | <u>3,064,099,160</u> | <u>831,715,506</u> | <u>1,050,655,995</u> | <u>2,504,400</u> | <u>4,715,826,661</u> | <u>-</u> | <u>9,664,801,722</u> |
| Increase in non-current assets | <u>358,628,578</u> | <u>170,767,439</u> | <u>67,224,833</u> | <u>-</u> | <u>4,861,828</u> | <u>-</u> | <u>601,482,678</u> |

7 Segment information (Cont'd)

The Group's revenue from external customers domestically and in foreign countries or geographical areas, and the total non-current assets other than financial assets and deferred tax assets located domestically and in foreign countries or geographical areas are as follows:

| Revenue from external customers | 2019 | 2018 |
|---------------------------------|-----------------------|-----------------------|
| Mainland | 9,123,825,213 | 9,151,411,893 |
| Overseas | 1,348,202,886 | 1,458,551,118 |
| | <u>10,472,028,099</u> | <u>10,609,963,011</u> |
| Total non-current assets | 31 December 2019 | 31 December 2018 |
| Mainland | 13,249,557,840 | 14,033,948,714 |
| Hong Kong, PRC | 12,535,219 | 12,647,783 |
| | <u>13,262,093,059</u> | <u>14,046,596,497</u> |

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

8 Related parties and related party transactions

(1) Information of the parent company

The Company regards no entity as the parent company.

(2) The subsidiaries

The general information and other related information of the subsidiaries are set out in Note 6(1).

(3) The associates

On December 31, 2019, the Company has no joint venture.

8 Related parties and related party transactions (Cont'd)**(4) Other related parties information**

Relationship with the Group

| | |
|---|--|
| Shenzhen Jushenghua Co., Ltd. ("Jushenghua") | Persons acting in concert with the first majority shareholder of the Group |
| Shenzhen Qianhai Ruinan Investment LLP | Controlled by the former key management personnel of the Group |
| Xinjiang Qianhai United Property & Casualty Insurance | Related parties of group shareholders |

(5) Related party transactions**(a) Purchase and sales of goods, provision and receiving of labour**

None

(b) Leases

None

(c) Gains on equity transfer

None

(d) Acquisition of equity

None

(e) Advances paid on behalf of related parties

None

(f) Remuneration of key management

2019

2018

Remuneration

21,940,800

23,846,000

(g) Other

| Related parties | Related party transactions | 2019 | 2018 |
|---|----------------------------------|------------------|------------------|
| Shenzhen Qianhai Ruinan Investment LLP | Buy life insurance for employees | 3,567,910 | 2,515,064 |
| Xinjiang Qianhai United Property & Casualty Insurance | Buy car insurance for employees | 235,095 | 481,505 |
| | | <u>3,803,005</u> | <u>2,996,569</u> |

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

(6) Accounts receivable from related parties

None

(7) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet date are as follows:

| Related parties | Related party transactions | Restrictive terms on borrowings | 2019 | 2018 |
|--|--|---------------------------------|---------------|---------------|
| Shenzhen Jushenghua Co., Ltd. ("Jushenghua") | Facility of interest-free loans provided for the Company | Nil | 2,000,000,000 | 2,000,000,000 |

On 22 November 2016, the Company received a letter from its shareholder, Jushenghua, stating that to support the Group's steady operation and development, Jushenghua, as the shareholder of the Company, would like to offer interest-free borrowings with the total amount of RMB2 billion to the Company or through related parties designated by it. For any borrowing drawn, its repayment date is negotiated by the Company and Jushenghua upon withdrawal. When a borrowing is due, if an extension is needed, the Company can apply to the actual lender based on the Company's operation; where the actual lender agrees with the extension application, the term of the borrowing is extended accordingly. The shareholder provided nil interest free loan to the group in 2019.

9 Share Payment

1. Overall situation of share payment

| | |
|---|-------------------|
| The total number of various equity instruments that have repurchased in the current period | 38,925,482 shares |
| Total amount of various equity instruments that the company exercises during the current period | 3,909,350 shares |
| The total number of equity instruments granted by the company in the current period | - |
| Restricted shares | |

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

By the 2nd 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 September 10 2018.

9 Share Payment (Cont'd)

1. Overall situation of share payment (Cont'd)

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 fulfil the conditions. The amount of 43,353,050 shares could be released from restrictions.

On December 12, 2018, the company held the 8th meeting of the 8th board of directors, and the meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares” , and the meetings approved to repurchase and cancel a total of 436,719 restricted shares which have already been granted to and held by 8 recipients who are unqualified for the “incentive plan” . this was reviewed and approved by the third temporary meeting of shareholders on December 28 2018. The cancellations of above restricted shares have been finished.

On April 16, 2019, the company held the 8th meeting of the 8th board of directors, and the 8th meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares” , and the “Proposal concerning the repurchase and cancellation of restricted shares failing to meet the second-term unlocking condition” . The meetings approved to repurchase and cancel a total of 3,473,329 restricted shares which have already been granted to and held by 14 recipients who are unqualified for the “incentive plan” , and repurchase and cancel a total of 33,734,276 restricted shares failing to meet the second-term unlocking condition from 483 “incentive” recipients. Independent directors agreed with this and it was approved by the annual general meeting of shareholders on May 9 2019. By June 18 2019, the cancellations procedure of above restricted shares have been accomplished.

On September 16 2019, the Company held the 8th temporary meeting of Board members and the 8th temporary meeting of Supervisors. The meetings reviewed and approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares” . The meetings approved to repurchase and cancel a total of 1,281,158 restricted shares which have already been granted to and held by 18 recipients unqualified for the “incentive plan” , this was reviewed and approved by the 4th temporary meeting of shareholders on October 10 2019. The cancellations of above restricted shares have not been finished yet.

On September 16 2019, the Company held the 8th temporary meeting of Board member members and the 8th temporary meeting of Supervisors , 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 71 recipients of the incentive plan were able to fulfil the conditions. The amount of 3,909,350 shares could be released from restrictions. The restricted shares was released and listed by company on September 25 2019.

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.

9 Share Payment (Cont'd)

1. Overall situation of share payment (Cont'd)

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% |

2. Equity-settled share payment

| Method for Determining the Fair Value of Equity Instruments on the Grant Date | Black-Scholes Model |
|--|--|
| Determination of the best estimate of the number of vesting equity instruments | Based on the latest information on the change in the number of exercisable rights and the completion of performance indicators, the number of equity instruments that are expected to be exercised is revised. |
| Reasons for significant differences between current estimates and previous estimates | Not applicable |
| Cumulative amount of equity-settled share-based payment in capital reserves | 128,276,983 |
| Total equity confirmed by equity-settled share-based payment in this period | (24,195,870) |

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

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 and capital surplus-other capital surplus " of each period accordingly.

By the 2nd 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 September 10 2018.

9 Share Payment (Cont'd)

2. Equity-settled share payment (Cont'd)

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 during 2017. A total of 431 recipients of the incentive plan were able to fulfil 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.

On December 12, 2018, the company held the 8th meeting of the 8th board of directors, and the 8th meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”, and the meetings approved to repurchase and cancel a total of 436,719 restricted shares which have already been granted to and held by 8 recipients who are unqualified for the “incentive plan”. This was reviewed and approved by the third temporary meeting of shareholders on December 28 2018. The cancellations of above restricted shares have been finished.

In addition, according to the Group’s performance in 2018, the unlocking conditions for the first 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 year end, expenses for the second post lock-up period for the ordinary A restricted shares was reduced by RMB 41,856,285.

On April 16, 2019, the company held the 8th meeting of the 8th board of directors, and the 8th meeting of the 8th board of supervisors. The meetings approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”, and the “Proposal concerning the repurchase and cancellation of restricted shares failing to meet the second-term unlocking condition”. The meetings approved to repurchase and cancel a total of 3,473,329 restricted shares which have already been granted to and held by 14 recipients who are unqualified for the “incentive plan”, and repurchase and cancel a total of 33,734,276 restricted shares failing to meet the second-term unlocking condition from 483 “incentive” recipients. Independent directors agreed with this and it was approved by the annual general meeting of shareholders on May 9 2019. By June 18 2019, the cancellations procedure of above restricted shares have been accomplished.

On September 16 2019, the Company held the 8th temporary meeting of Board members and the 8th temporary meeting of Supervisors. The meetings reviewed and approved the “Proposal concerning the repurchase and cancellation of some restricted shares from the ‘incentive plan’ of restricted shares”. The meetings approved to repurchase and cancel a total of 1,281,158 restricted shares which have already been granted to and held by 18 recipients unqualified for the “incentive plan”, this was reviewed and approved by the 4th temporary meeting of shareholders on October 10 2019. The cancellations of above restricted shares have not been finished yet.

On September 16 2019, the Company held the 8th temporary meeting of Board member members and the 8th temporary meeting of Supervisors, 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 71 recipients of the incentive plan were able to fulfil the conditions. The amount of 3,909,350 shares could be released from restrictions. The restricted shares was released and listed by company on September 25 2019.

9 Share Payment (Cont’d)

2. Equity-settled share payment (Cont’d)

This year, due to the equity incentive plan, the share payment fee of RMB 24,845,972 was confirmed according to the plan. Due to an underperformance, a reverse to the third term share-based payment is RMB 49,041,842.

10 Contingencies

Nil.

11 Commitments

(1) Capital commitments

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

| | 31 December 2019 | 31 December 2018 |
|------------------------------------|--------------------|--------------------|
| Buildings, machinery and equipment | <u>491,835,351</u> | <u>130,748,435</u> |

(2) Operating lease commitments

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

| | 31 December 2019 | 31 December 2018 |
|---------------|------------------|-------------------|
| Within 1 year | 2,457,100 | 19,016,297 |
| 1 to 2 years | 1,412,642 | 16,993,654 |
| 2 to 3 years | 652,804 | 16,654,854 |
| Over 3 years | 60,000 | 1,093,859 |
| | <u>4,582,546</u> | <u>53,758,664</u> |

12 Events after the balance sheet date

(a) Statement of profit distribution after balance sheet date

| | Amount |
|---|--------------------|
| Proposed distribution of cash dividends | <u>217,484,050</u> |

According to the resolution of the board of directors on April 28, 2020, the board of directors proposed that the company distribute a cash dividend of RMB 217,484,050 to all shareholders. This proposal is approving by the general meeting of shareholders. The cash dividend proposed after the balance sheet date has not been confirmed in this financial statement as a liability.

(b) Issue corporate bonds

On February 24, 2020, the eighth interim meeting of the board of directors of the company reviewed and approved the proposed public issue of RMB 1.8 billion of corporate bonds for the purpose of adjusting the debt structure and supplementing working capital.

On March 30, 2020, the company's "20 CSG 01" 2 billion bond was listed on the Shenzhen Stock Exchange.

(c) Proposed construction project

| Location | Project | Total planned investment |
|---------------------------------|--|--------------------------|
| Fengyang county, anhui province | Lightweight high-transparent panel manufacturing base for solar equipment Annual output of 0.6 million tons of low- | 3.73902 billion |
| Fengyang county, anhui province | iron (ultra-white) quartz For the sand production base | 0.73999 billion |

(d) Non-public offering

| | | |
|---------------------|---|---|
| Content | The effected amount of financial status and operating results | Unable to estimate the impact reason |
| Non-public offering | - | Issuance and the issue price are not determined |

13 Other significant events

(1) 171 million special funds for the introduction of talents was follow-up progress.

(a) Matter description

As at December 10, 2012, the People's Government of Yichang City and the Company signed the Cooperation Agreement on Fine Glass and Ultrathin Electronic Glass Project ;The management committee of Yichang High-tech Industrial Development Zone agreed to establish a RMB 171 million talent fund as a special fund subsidy for the introduction of talents and the placement of talented people. The company of Yichang CSG PolysSiliconCo.Ltd. is responsible for formulating the housing resettlement subsidy program and supervising the use of this special fund.The funds were subsidized by the government to the company, but Yichang CSG PolysSiliconCo., Ltd. received this amount and transferred it to YichangHongtai Real Estate Co., Ltd. in full amount without proper approval from the company's board of directors and other relevant authorities. (YichangHongtai Real Estate Co.,Ltd. is a company jointly indirect controlled by part of the former natural executives of the company. The company has no equity relationship with the company) .Yichang CSG PolysSiliconCo., Ltd. received the above fund and transferred it to YichangHongtai Real Estate Co., Ltd. in full and also handled the accounting treatment according to the collecting and paying. In 2017, Prior period accounting error from above matters was corrected by company.

(b) Subsequent progress

It is be heard that the Shenzhen People's Procuratorate has filed a public prosecution with the Shenzhen Intermediate People's Court for Zeng Nan and others' crimes of breach of trust to damage the interests of listed companies .This case has been filed by the court of Shenzhen Intermediate People's Court and is currently being heard.

(c) Receivable talent fund from YichangHongtai Real Estate Co., Ltd.

| | | December 31, 2019 | | December 31, 2018 | |
|-------------------|----------------------------------|-------------------|----------------------|-------------------|----------------------|
| | | Book balance | Bad debt preparation | Book balance | Bad debt preparation |
| Other receivables | YichangHongtaiReal EstateCompany | 171,000,000 | (3,420,000) | 171,000,000 | (3,420,000) |

14 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. Some export business, however, is denominated in foreign currencies. In addition, the Group is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to US dollars and Hong Kong dollar. The Group monitors the scale of foreign currency transactions, foreign currency assets and liabilities, and adjust settlement currency of export business, to furthest reduce the currency risk.

14 Financial instrument and risk (Cont'd)

(1) Market risk (Cont'd)

On 31 December 2019, book values in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

| | 31 December 2019 | | | Total |
|---|--------------------|-------------------|-------------------|--------------------|
| | USD | HKD | Others | |
| Financial assets denominated in foreign currency - | | | | |
| Cash at bank and on hand | 41,907,573 | 3,907,829 | 354,589 | 46,169,991 |
| Receivables | 80,789,758 | 1,487,715 | 7,527,045 | 89,804,518 |
| | <u>122,697,331</u> | <u>5,395,544</u> | <u>7,881,634</u> | <u>135,974,509</u> |
| Financial liabilities denominated in foreign currency - | | | | |
| Short-term borrowings | 4,938,410 | 67,185,000 | - | 72,123,410 |
| Payables | 39,609,462 | 275 | 11,628,253 | 51,237,990 |
| | <u>44,547,872</u> | <u>67,185,275</u> | <u>11,628,253</u> | <u>123,361,400</u> |
| | 31 December 2018 | | | Total |
| | USD | HKD | Others | |
| 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 |
| | <u>200,048,320</u> | <u>2,756,466</u> | <u>8,734,631</u> | <u>211,539,417</u> |
| 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 |
| | <u>56,170,817</u> | <u>65,715,269</u> | <u>12,397,080</u> | <u>134,283,166</u> |

On 31 December 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 RMB6,642,704 lower/higher (31 December 2018: approximately RMB12,229,588 lower/higher) for various financial assets and liabilities denominated in USD.

On 31 December 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 RMB5,252,127 higher/lower (31 December 2018: approximately RMB5,351,498 higher/lower) for various financial assets and liabilities denominated in HKD.

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

14 Financial instrument and risk (Cont'd)**(b) Foreign exchange risk**

The Group's interest rate risk arises from long-term interest bearing debts including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2019, the Group's long-term interest-bearing debts at fixed rates and floating rates are illustrated below:

| | 31 December 2019 | 31 December 2018 |
|------------------------|----------------------|----------------------|
| Debt at fixed rates | 951,975,000 | 2,258,325,000 |
| Debt at floating rates | 368,250,000 | 57,375,000 |
| | <u>1,320,225,000</u> | <u>2,315,700,000</u> |

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group makes adjustments timely with reference to the latest market conditions, which includes increasing/decreasing long-term fixed rate debts at the anticipation of increasing/decreasing interest rate.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, notes receivable, accounts receivable, other receivables.

The Group expects that there is no significant credit risk associated with cash at bank since they are mainly deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties. Furthermore, as the Group's bank acceptance notes receivable are generally accepted by the state-owned banks and other large and medium listed banks, management believes the credit risk should be limited.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and trade acceptance notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

14 Financial instrument and risk (Cont'd)**(3) Liquidity risk**

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash reserve, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As stated in Note 2(1) above, as at 31 December 2019, the Group had net current liabilities of approximately RMB1.65 billion and committed capital expenditures of approximately RMB0.492 billion.

Management will implement the following measures to ensure the liquidation risk limited to a controllable extent:

- (a) The Group will have steady cash inflows from operating activities;
- (b) The Group will pay the debts that mature and finance the construction projects through the existing bank facilities;
- (c) The Group will closely monitoring the payment of construction expenditure in terms of payment time and amount.

The financial liabilities of the Group at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

| | 31 December 2019 | | | | Total |
|--|----------------------|----------------------|-------------------|--------------|----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| Short-term borrowings | 2,279,068,830 | - | - | - | 2,279,068,830 |
| Notes payable | 232,063,968 | - | - | - | 232,063,968 |
| Accounts payable | 1,100,531,779 | - | - | - | 1,100,531,779 |
| Other payables | 351,374,775 | - | - | - | 351,374,775 |
| Other current liabilities | 300,000 | - | - | - | 300,000 |
| Current portion of non-current liabilities | 1,749,763,512 | - | - | - | 1,749,763,512 |
| Long-term payables | - | 87,240,529 | - | - | 87,240,529 |
| Long-term borrowings | 81,253,313 | 1,338,406,582 | 19,752,667 | - | 1,439,412,562 |
| | <u>5,794,356,177</u> | <u>1,425,647,111</u> | <u>19,752,667</u> | <u>-</u> | <u>7,239,755,955</u> |

| | 31 December 2018 | | | | Total |
|--|----------------------|----------------------|----------------------|--------------|----------------------|
| | Within 1 year | 1 to 2 years | 2 to 5 years | Over 5 years | |
| 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 |
| Current portion of non-current liabilities | 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 |
| | <u>5,814,669,492</u> | <u>1,933,684,494</u> | <u>1,044,119,211</u> | <u>-</u> | <u>8,792,473,197</u> |

15 Fair value estimates

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- (a) Assets continuously measured at fair value

By December 31, 2019, the Group's using assets and liabilities measured at fair value are listed three levels as followings:

| | 31 December 2019 | | | Total |
|---|------------------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | |
| Measured at fair value through other comprehensive income | - | - | - | - |
| -Receivables Financing | - | 258,296,826 | - | 258,296,826 |
| | - | 258,296,826 | - | 258,296,826 |

(b) Assets and liability that not measured but disclosed at fair value

The group's financial assets and financial liabilities measured at amortized cost mainly include: accounts receivable, short-term borrowings, accounts payable, long term borrowings, bonds payable, long-term payables, ect.

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

| | 31 December 2019 | | 31 December 2018 | |
|-----------------------|------------------|-------------|------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities | | | | |
| Medium term notes | 800,000,000 | 807,757,600 | 2,000,000,000 | 2,028,614,800 |
| | 800,000,000 | 807,757,600 | 2,000,000,000 | 2,028,614,800 |

The fair values of medium-term notes are the present value of the contractually determined stream of future cash flows at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, thereintomedium term notes belong to Level 2.

16 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2019 and 31 December 2018, the Group's gearing ratio is as follows:

| | 31 December 2019 | 31 December 2018 |
|-------------------|------------------|------------------|
| Total liabilities | 8,335,380,431 | 9,664,801,722 |
| Total assets | 18,201,235,959 | 19,114,234,184 |
| Gearing ratio | 46% | 51% |

17 Notes to the Company's financial statements

(1) Other receivables

| | 31 December 2019 | 31 December 2018 |
|----------------------------------|----------------------|----------------------|
| Receivables from related parties | 3,008,955,525 | 2,739,449,549 |
| Others | 174,025,961 | 176,598,669 |
| | <u>3,182,981,486</u> | <u>2,916,048,218</u> |
| Less: Provision for bad debts | (3,480,519) | (3,531,973) |
| | <u>3,179,500,967</u> | <u>2,912,516,245</u> |

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

| | 31 December 2019 | 31 December 2018 |
|---------------|----------------------|----------------------|
| Within 1 year | 3,010,311,816 | 2,744,831,250 |
| Over 1 year | 172,669,670 | 171,216,968 |
| | <u>3,182,981,486</u> | <u>2,916,048,218</u> |

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

| | 31 December 2019 | | | | 31 December 2018 | | | |
|--------------------------------------|----------------------|--------------------|-------------------------|----|----------------------|--------------------|-------------------------|----|
| | Carrying amount | | Provision for bad debts | | Carrying amount | | Provision for bad debts | |
| | Amount | % of total balance | Provision for bad debts | % | Amount | % of total balance | Provision for bad debts | % |
| Provision for bad debts by groupings | | | | | | | | |
| - Group 1 | 174,025,961 | 5% | (3,480,519) | 2% | 176,598,669 | 6% | (3,531,973) | 2% |
| - Group 2 | 3,008,955,525 | 95% | - | - | 2,739,449,549 | 94% | - | - |
| | <u>3,182,981,486</u> | <u>100%</u> | <u>(3,480,519)</u> | - | <u>2,916,048,218</u> | <u>100%</u> | <u>(3,531,973)</u> | - |

(c) For other receivables provided for bad debts by portfolio, the expected credit impairment loss for the portfolio is as follows:

| | 31 December 2019 | | | 31 December 2018 | | |
|---------|---------------------------|-----------------------------------|----|---------------------------|-----------------------------------|----|
| | Carrying amount Amount | Provision for bad debts Amount | % | Carrying amount Amount | Provision for bad debts Amount | % |
| Group 1 | 174,025,961 | (3,480,519) | 2% | 176,598,669 | (3,531,973) | 2% |
| Group 2 | 3,008,955,525 | - | - | 2,739,449,549 | - | - |
| | <u>3,182,981,486</u> | <u>(3,480,519)</u> | - | <u>2,916,048,218</u> | <u>(3,531,973)</u> | - |

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

(1) Other receivables (Cont'd)

(d) Provision for bad debts

| bad debts | Stage 1 | Stage 2 | Stage 3 | 31 December 2019 |
|----------------|--|---|---|------------------|
| | Expected credit losses in the following 12 months (grouping) | Lifetime expected credit losses (credit unimpaired) | Lifetime expected credit losses (credit impaired) | Total |
| 1 January 2019 | (3,531,973) | - | - | (3,531,973) |

| | | | | |
|---------------------------|--------------------|----------|----------|--------------------|
| Amounts in current year | - | - | - | - |
| —Transferred stage 2 | - | - | - | - |
| —Transferred stage 3 | - | - | - | - |
| —Reversed stage 2 | - | - | - | - |
| —Reversed stage 1 | - | - | - | - |
| Increased in current year | (44,670) | - | - | (44,670) |
| Reversed in current year | 96,124 | - | - | 96,124 |
| Disposal in current year | - | - | - | - |
| Write-off in current year | - | - | - | - |
| Other movements | - | - | - | - |
| 31 December 2019 | - | - | - | - |
| | <u>(3,480,519)</u> | <u>-</u> | <u>-</u> | <u>(3,480,519)</u> |

- (e) As at 31 December 2019, the Group's top five entities with the largest other receivables balances are analysed as below:□

| | Relationship with the Group | Amount | Ageing | % of total balance |
|--|--------------------------------|----------------------|---------------|--------------------|
| Yichang CSG Polysilicon | Subsidiary | 1,871,734,718 | Within 1 year | 59% |
| Yichang CSG Display | Subsidiary | 357,176,172 | Within 1 year | 11% |
| YichangHongtai Real Estate Co. Ltd | Independent third party | 171,000,000 | Over 5 years | 5% |
| Qingyuan CSG Energy-Saving | Subsidiary | 162,379,804 | Within 1 year | 5% |
| Shenzhen CSG Photovoltaic Energy Co., Ltd. | Subsidiary | 148,010,862 | Within 1 year | 5% |
| | | <u>2,710,301,556</u> | | <u>85%</u> |

- (2) Long-term equity investments

| | 31 December 2019 | 31 December 2018 |
|--|----------------------|----------------------|
| Subsidiaries (a) | 5,094,465,574 | 4,979,696,831 |
| Less: Impairment provision for investments in subsidiaries (a) | <u>(15,000,000)</u> | <u>(15,000,000)</u> |
| | <u>5,079,465,574</u> | <u>4,964,696,831</u> |

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

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

(a) Subsidiaries

| | | Movement in current year | | | | |
|---|----------------------|--------------------------|---------------------------|----------------------|----------------------------------|---|
| | 31 December 2018 | Additional investment | Decrease in investment | 31 December 2019 | Provision for impairment loss | Cash dividends declared in current year |
| Chengdu CSG | 152,376,524 | - | (978,761) | 151,397,763 | - | 137,736,993 |
| Sichuan CSG Energy Conservation | 120,053,814 | - | (796,865) | 119,256,949 | - | - |
| Tianjin Energy Conservation | 248,548,885 | - | (715,558) | 247,833,327 | - | 64,931,778 |
| Dongguan CSG Engineering | 199,212,838 | - | (936,596) | 198,276,242 | - | 138,792,233 |
| Dongguan CSG Solar | 356,240,176 | - | (1,119,929) | 355,120,247 | - | - |
| Yichang CSG Polysilicon | 642,412,100 | - | (1,555,930) | 640,856,170 | - | - |
| Wujiang CSG Engineering | 255,041,613 | - | (640,423) | 254,401,190 | - | - |
| Hebei CSG | 267,053,514 | - | (863,809) | 266,189,705 | - | - |
| China Southern Glass (Hong Kong) Limited | 86,932,629 | 834,675 | - | 87,767,304 | - | - |
| Wujiang CSG | 568,749,746 | - | (1,104,316) | 567,645,430 | - | - |
| HebeiShichuang | 247,051,137 | - | (680,542) | 246,370,595 | - | - |
| Jiangyou CSG Mining Development Co. Ltd. | 102,765,652 | - | (350,556) | 102,415,096 | - | - |
| Xianning CSG | 181,910,111 | - | (793,834) | 181,116,277 | - | - |
| Xianning CSG Energy-Saving | 166,299,193 | - | (847,158) | 165,452,035 | - | - |
| Qingyuan CSG Energy-Saving | 303,861,558 | - | (588,453) | 303,273,105 | - | 48,644,321 |
| Shenzhen CSG Financial Leasing Co., Ltd. | 133,500,000 | - | - | 133,500,000 | - | - |
| Shenzhen CSG PV Energy Co., Ltd. | 100,362,547 | - | (27,371) | 100,335,176 | - | - |
| Shenzhen CSG Display | 552,517,298 | - | (1,751,824) | 550,765,474 | - | - |
| Xianning CSG Photoelectric | 90,471,501 | 50,000,000 | (716,064) | 139,755,437 | - | - |
| Zhaoqing CSG Energy-saving Glass Co., Ltd. | - | 12,801,000 | - | 12,801,000 | - | - |
| Zhaoqing CSG Automotive Glass Co., Ltd. | - | 12,601,000 | - | 12,601,000 | - | - |
| Others | 204,335,995 | 56,000,000 | (2,999,943) | 257,336,052 | (15,000,000) | - |
| | <u>4,979,696,831</u> | <u>132,236,675</u> | <u>(17,467,932)</u> | <u>5,094,465,574</u> | <u>(15,000,000)</u> | <u>390,105,325</u> |

17 Notes to the Company's financial statements (Cont'd)**(2) Long-term equity investments (Cont'd)****(a) Subsidiaries (Cont'd)**

- (i) As at 31 December 2019, included in the investments in subsidiaries were deemed investment costs of RMB194,658,263 (31 December 2018: RMB211,291,520), the fair value of the equity instruments of the Company granted to the employee of the subsidiaries for their serviced provided to the subsidiaries for which the Company did not charge the subsidiaries.
- (ii) The operations of the subsidiaries against which provision was made were basically ceased. The Company made provision against the long-term investment in these subsidiaries based on their recoverable amounts in previous years.

(3) Long-term receivables

| | 31 December 2019 | 31 December 2018 |
|--|----------------------|----------------------|
| medium term notes and long-term borrowings allocated to subsidiaries | 1,200,000,000 | 1,200,000,000 |
| Less: Provisions for impairment | - | - |
| | <u>1,200,000,000</u> | <u>1,200,000,000</u> |

| | 31 December 2018 | Movements in current year | 31 December 2019 | Provision for impairment loss | Reversals of provision for impairment loss in current year |
|---------------------------------|----------------------|---------------------------|----------------------|-------------------------------|--|
| Chengdu CSG | 50,000,000 | - | 50,000,000 | - | - |
| Sichuan CSG Energy Conservation | 20,000,000 | - | 20,000,000 | - | - |
| Dongguan CSG PV-tech | 50,000,000 | - | 50,000,000 | - | - |
| Yichang CSG Polysilicon | 350,000,000 | - | 350,000,000 | - | - |
| Dongguan CSG Engineering | 75,000,000 | - | 75,000,000 | - | - |
| Wujiang CSG | 210,000,000 | - | 210,000,000 | - | - |
| Dongguan CSG Solar | 120,000,000 | - | 120,000,000 | - | - |
| Wujiang CSG Engineering | 50,000,000 | - | 50,000,000 | - | - |
| Qingyuan CSG Energy-Saving | 50,000,000 | - | 50,000,000 | - | - |
| Xianning CSG Energy-Saving | 80,000,000 | - | 80,000,000 | - | - |
| Xianning CSG | 75,000,000 | - | 75,000,000 | - | - |
| Hebei CSG | 50,000,000 | - | 50,000,000 | - | - |
| Hebeishichuang | 20,000,000 | - | 20,000,000 | - | - |
| | <u>1,200,000,000</u> | <u>-</u> | <u>1,200,000,000</u> | <u>-</u> | <u>-</u> |

17 Notes to the Company's financial statements (Cont'd)**(4) Other payables**

| | 31 December 2019 | 31 December 2018 |
|------------------|----------------------|----------------------|
| Interest payable | 41,186,139 | 41,572,125 |
| Dividend payable | 2,985,563 | 2,846,362 |
| Other payables | 1,598,984,750 | 1,624,168,731 |
| | <u>1,643,156,452</u> | <u>1,668,587,218</u> |

1、 Interest payable

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Interest payable for medium term notes | 38,604,028 | 37,644,444 |
| Interest payable for short-term borrowings | 2,582,111 | 3,927,681 |
| | <u>41,186,139</u> | <u>41,572,125</u> |

2、 Dividend payable

| | 31 December 2019 | 31 December 2018 |
|-----------------------------------|------------------|------------------|
| Restricted share dividend payable | 2,985,563 | 2,846,362 |
| | <u>2,985,563</u> | <u>2,846,362</u> |

3、 Other payables

| | 31 December 2019 | 31 December 2018 |
|------------------|----------------------|----------------------|
| Subsidiaries | 1,472,164,176 | 1,339,762,543 |
| Share repurchase | 118,066,397 | 275,748,309 |
| Others | 8,754,177 | 8,657,879 |
| | <u>1,598,984,750</u> | <u>1,624,168,731</u> |

(5) Investment income

| | 2019 | 2018 |
|--|--------------------|--------------------|
| Investment income from long-term equity investment under cost method | 390,105,325 | 231,537,607 |
| | <u>390,105,325</u> | <u>231,537,607</u> |

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

I Statement of non-recurring gains and losses

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Gains or losses on disposal of non-current assets | 909,968 | 454,368 |
| Government grants recognised in profit or loss for current period | (184,131,420) | (94,835,539) |
| Income from external entrusted loans | (11,894,654) | (534,591) |
| Non-operating income and expenses other than aforesaid items | 1,612,253 | (12,099,680) |
| | <u>(193,503,853)</u> | <u>(107,015,442)</u> |
| Effect of income tax | 25,951,263 | 16,483,870 |
| Effect of minority interests (after tax) | 5,507,988 | 5,145,472 |
| Total non-recurring gains and losses | <u>(162,044,602)</u> | <u>(85,386,100)</u> |

(1) Basis for preparation of statement of non-recurring gains and losses

Under the requirements in *Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-recurring Profit or Loss [2008]* from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to recur

frequently that would have an influence on users of financial statements making economic decisions on the financial performance and profitability of an enterprise.

II Return on net assets and earnings per share

| | Weighted average return on net assets | | Earnings per share | | | |
|--|--|------|-----------------------------|------|-------------------------------|------|
| | | | Basic earnings per share | | Diluted earnings per share | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net profit attributable to ordinary shareholders of the Company | 5.77 | 5.16 | 0.17 | 0.15 | 0.17 | 0.14 |
| Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses | 4.03 | 4.19 | 0.12 | 0.12 | 0.12 | 0.12 |

Section XI. Documents Available for Reference

I. Text of the financial report carrying the signatures and seals of the legal representative, responsible person in charge of accounting and person in charge of financial institution;

II. Original of the Auditors' Report carrying the seal of Asia Pacific (Group) CPAs (special general partnership) and the signatures and seals of the certified public accountants;

III. All texts of the Company's documents and original public notices disclosed in the website and papers appointed by CSRC in the report period.

IV. The reports which published in the other stock market.

Board of Directors of
CSG Holding Co., Ltd.
30 April 2020