

## CSG HOLDING CO., LTD.

# SUMMARY OF SEMI-ANNUAL REPORT 2018



Chairman of the Board:

Chen Lin

August 2018

## I. Important notice

The summary of semi-annual report is excerpted from the full text of the semi-annual report. In order to fully understand the Company's operating achievements, financial standing and future development planning, investors should carefully read the full text of the semi-annual report announced on the media designated by CSRC.

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.

Notice of non-standard audit opinion

Applicable  Not applicable

Plans of profit distribution and share converted from capital reserve in the report period which was deliberated by the Board

Applicable  Not applicable

The Company had no plans of cash dividend distribution, bonus shares distribution or share converted from capital reserve in the first half of the year.

Profit distribution plan of preferred shares in the report period which was approved by the Board

Applicable  Not applicable

## II. The basic information of the Company

### 1. Company profile

Short form for share	Southern Glass A、Southern Glass B	Code for share	000012、200012
Listing stock exchange	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Representative of security affairs	
Name	Yang Xinyu	Chen Chunyan	
Contact address	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	
E-mail	securities@csgholding.com	securities@csgholding.com	

### 2. 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

	The report period (Jan. to Jun.2018)	The same period of last year	Increase/decrease year-on-year (%)
Operating income (RMB)	5,471,169,598	4,944,337,861	10.66%
Net profit attributable to shareholders of the listed company (RMB) [Note (1)]	352,837,153	392,992,163	-10.22%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB) [Note (2)]	334,049,718	360,945,244	-7.45%
Net cash flow arising from operating activities (RMB)	764,564,088	1,019,889,454	-25.03%
Basic earnings per share (RMB/Share) [Note (3)]	0.13	0.14	-7.14%
Diluted earnings per share (RMB/Share) [Note (4)]	0.12	0.14	-14.29%
Weighted average ROE [Note (5)]	4.09%	4.95%	-0.86%
	End of this period	End of last year	Increase/decrease in this period-end over that of last year-end (%)
Total assets (RMB)	20,524,811,756	19,535,002,368	5.07%
Net assets attributable to shareholders of the listed company (RMB)	8,789,183,848	8,458,587,873	3.91%

Note (1): The data in the above table has included apportionment of equity incentive expense included in profit and loss of RMB 93.81million from Jan. to Jun. 2018, which affected the net profit attributable to shareholders of the listed company of RMB 82.55 million. In the period from Jan. to June 2018, after eliminating the impact of equity incentive cost sharing, the net profit attributable to shareholders of the listed company was RMB 435.39 million, with a year-on-year increase of RMB 42.4 million and growth rate of 10.79%;

Note (2): After eliminating the impact of equity incentive cost sharing, net profit attributable to shareholders of the listed company from Jan. to June 2018 was RMB 416.6 million with a year-on-year increase of RMB 55.66 million and growth rate of 15.42%;

Note (3): After eliminating the impact of equity incentive cost sharing, basic earnings per share from Jan. to June 2018 was RMB 0.16 per share, with year-on-year growth rate of 14.29%;

Note (4): After eliminating the impact of equity incentive cost sharing, diluted earnings per share from Jan. to June 2018 was RMB 0.16 per share, with year-on-year growth rate of 14.29%;

Note (5): After eliminating the impact of equity incentive cost sharing, weighted average ROE from Jan. to June 2018 was 5.05%, with year-on-year growth rate of 0.1%.

### 3. Amount of shareholders of the Company and particulars about shareholding

Unit: share

Total amount of shareholders at the end of the report period	153,651	Total amount of the preferred shareholders who have resumed the voting right at end of report period (if applicable)	0			
Shareholding of the top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held (%)	Total shares held at the end of report period	Amount of restricted shares held	Number of share pledged/frozen	
					Share status	Amount
Foresea Life Insurance Co., Ltd. – Haili Niannian	Domestic non state-owned legal person	14.84%	423,988,067			
Foresea Life Insurance Co., Ltd. – Universal Insurance Products	Domestic non state-owned legal person	3.77%	107,659,097			
Shenzhen Jushenghua Co., Ltd.	Domestic non state-owned legal person	2.76%	78,757,679		Pledged [Note]	78,757,652
Foresea Life Insurance Co., Ltd. – Own Fund	Domestic non state-owned legal person	2.06%	58,877,419			
Central Huijin Asset	State-owned legal person	1.84%	52,650,444			

Management Ltd.						
China Galaxy International Securities (Hong Kong) Co., Limited	Foreign legal person	1.31%	37,313,064			
China Merchants Securities (HK) Co., Limited	State-owned legal person	1.02%	29,155,288			
Shenzhen International Holdings (SZ) Limited	Domestic non state-owned legal person	0.93%	26,450,000			
Wang Heng	Domestic natural person	0.63%	17,939,087			
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.61%	17,563,848			
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 36,534,458 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					

Note: On July 13, 2018, the Company received the notification letter from Shenzhen Jushenghua Co., Ltd, which indicated that the 78,757,652 unrestricted A-shares of CSG pledged by Jushenghua to China Galaxy Securities Co., Ltd had been released on July 12, 2018 and the releasing procedures of pledge has been completed in Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. For detailed contents, please refer to *the Announcement of Releasing Pledge of Shares Held by Shareholders* ((Notice No. : 2018-034) issued on July 14, 2018.

#### 4. Changes of controlling shareholder or actual controller

Changes of controlling shareholder in the report period

Applicable  Not applicable

Changes of actual controller in the report period

Applicable  Not applicable

#### 5. The total number of shareholders of the Company's preferred shares and the shareholding of the top 10 preferred shareholders

Applicable  Not applicable

There were no preferred shares held by shareholders in the report period.

#### 6. Corporate Bonds

Whether the Company had corporate bonds publicly issued and listed on the stock exchange which hadn't matured or fully paid until the approval day of the semi-annual report

No

### III. Performance Discussion and Analysis

#### 1. Brief introduction to operation situation in the report period

Whether the Company needs to comply with the disclosure requirements of specific industries

No

Since 2018, China has continued to deepen the supply-side structural reform, steadily propelled the tasks of de-capacity, de-leveraging, de-stocking, de-cost and addressing weakness, further promoted replacing old growth drivers with new ones, and continuously improved the structure of economic development.

In 2018, CSG, facing the complex and volatile economic environment and increasingly fierce market competition, seized favorable market opportunities timely and coped with all kinds of difficulties bravely to ensure the development of production and operation activities. Oriented by market demand, the Company carefully analyzed its competitive advantages, took the initiative to transform business mode and update technologies, and improved operating quality by fine management to realize the advancement in stability. In the first half of 2018, the operation revenue of the Company was RMB 5,471 million with a year-on-year increase of RMB 527 million and growth rate of 10.66%. After eliminating the impact of equity incentive cost sharing, the Company realized net profit of RMB 444 million, with a year-on-year increase of RMB 44 million and growth rate of 10.87%, and net profit attributable to the parent company of RMB 435 million, with a year-on-year increase of RMB 42 million and growth rate of 10.79%.

#### (I) Glass business

The State has continuously strengthened the structural adjustment of excess capacity, adopted strict environmental protection control policies to eliminate backward production capacity, which promoted the glass business to enter a benign operation cycle step by step, and optimized the supply and demand structure. The Company spares no effort to grasp the development opportunities of all its products in the process of supply-side structural reform.

**Float glass:** In the first half of 2018, the market of float glass continued the favorable trend of last year. The Company adhered to the concept of high-quality, energy-saving and environmental protection product. Based on its own technological quality advantages and capacity scale advantages, it has kept strengthening internal management and intensive cultivation, improved production technology level, co-ordinated sales management and quality services, facilitated differentiation and high-end of products, consolidated its brand advantage, and improved customer satisfaction. Consequently, the operating profit rose significantly and the revenue and net profit increased by 17 % and 24% respectively.

**Architectural glass:** In 2018, due to the sustained high prices of bulk raw materials, especially glass originals, and the growth of downstream fixed asset investment slowed down, the profitability of architectural glass was squeezed. Under this pressure, the Company responded positively through a series of measures such as adjusting its market strategy, strengthening industry synergy, optimizing product structure, increasing overseas orders, intensifying communication with customers, improving production efficiency, and guaranteed the profit growth, with revenue rising by 6% year-on-year and net profit rising by 12%.

## **(II) Solar energy business**

In 2018, the State further promoted high-quality and orderly development of the photovoltaic industry, and strove to cultivate a number of high-quality photovoltaic enterprises through the hands of the market, so as to push the achieving of the connection to grid at an equal price to be achieved. Besides, the investment and technical innovation in the photovoltaic industry have led to a substantial increase in production capacity and a downward pressure on market price. In addition, as the material manufacturing of photovoltaic industry is a heavy assets industry, as well as the energy cost of Yichang Base of the group is higher than that of other companies in the same industry. Consequently, the management has adopted various strategies to respond positively including attaching importance to production technology innovation and product innovation, planning technological upgrading, and enhanced the production capacity of high value-added products. Meanwhile, In compliance with the guidance of industry put forward by the State, the Company determined the connection to grid at an equal price as the cost control target and industrial development goal and ultimately realized revenue increased by 3.54% year-on-year, and accumulated net profit of RMB minus 45 million.

## **(III) Electronic glass and display device business**

In the first half of 2018, with the accumulation of technology and the steady development of the market, the performance of the electronic glass and display devices continued to improve. For the sector of electronic glass, the company maintained its current capacity and its technology was approaching world-class level. The high-aluminum products of Qingyuan CSG have entered into the original chips market of cover plate of the domestic mainstream brands of mobile phone and Yichang Photoelectric has successfully gained its expected technical objective in technical innovation. With the trial production of Xianning Photoelectric, a new generation of high-aluminum products will be on the market, and the competitive advantage in the high-end electronic glass market will continue to strengthen. For the sector of display device, the Company has always adhered to the high-end and smart product route. As it seized the market opportunities of vehicle touch market in the first half year of 2018, the business shipment volumes of TP module increased substantially, with gross margin rising significantly. The revenue and net profit of the electronic glass and display device business sector rose by 19% year-on-year and 162% year-on-year respectively in the first half of the year.

## **2. Matters relevant to financial report**

### **(1) Particulars about the change of accounting policy, accounting estimate and accounting method compared with last accounting period**

Applicable    Not applicable

There was no change of accounting policy, accounting estimate and accounting method in the report period.

### **(2) Particulars about retroactive adjustment or re-statement on major accounting error correction**

Applicable    Not applicable

There was no retroactive adjustment or re-statement on major accounting error correction in the report period.

**(3)Particulars about the change of consolidation range compared with the annual financial report of last year**

Applicable    Not applicable

For details, please refer to “VIII. The changes of consolidation scope” of “Section VIII. Financial Report” in the full text of Semi-annual Report 2018.

**Board of Directors of  
CSG Holding Co., Ltd.  
28 August 2018**