CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD.

Semi-Annual Report 2002

President: Zeng Nan

Aug. 2002

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CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD.

Semi-Annual Report 2002

I. IMPORTANT NOTICE

The Board of Directors of CSG Technology Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

The semi-annual financial reports of the Company have not been audited.

This report is prepared in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

II. COMPANY PROFILE

(I) Intruduction

1. Legal Name of the Company
   In Chinese: 中国南玻科技控股（集团）股份有限公司 （南玻集团）
   In English: China Southern Glass Technology Holding Co., Ltd. (CSG)

2. Stock Listing and Trading: Shenzhen Stock Exchange
   Short Form of the Stock (A-share): Southern Glass Technology
   Short Form of the Stock (B-share): Southern Glass B
   Stock Code (A-share): 000012
   Stock Code (B-share): 200012

3. Registered Address and Office Address of the Company:
   CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, P.R.China
   Post Code: 518067
   Company's Internet Web Site: http://www.csgholding.com
   E-mail: nbdnb@public.szptt.net.cn

4. Legal Representative: Chen Chao

5. Secretary of the Board of Directors: Wu Guobin
   Authorized Representative in Charge of Securities Affairs: Zhang Zhiping
   Liaison Address: CSG Building, No.1, 6^{th} Industrial Road, Shekou, Shenzhen, P.R.China
   Tel: (86) 755-26860666   Fax: (86) 755-26692755
   E-mail: szcsgcsg@public.szptt.net.cn

6. Newspapers for Disclosing the Information:
   China Securities Journal, Securities Times and Ta Kung Pao
   Internet Web Site for Publishing the Semi-Annual Report: http://www.cninfo.com.cn
   The Place Where the Semi-Annual Report is Prepared and Placed:
   Securities & Assets Department,
   5/F, CSG Building, No.1, 6^{th} Industrial Road, Shekou, Shenzhen, P.R.China

7. Other Information

   (1) Initial registration date and place
   Date: Sept. 10, 1984
   Place: Shenzhen Municipal Administration for Industry and Commence

   (2) Entity Business License Registration number: GSWQGYSZ Zi No. 100482

   (3) Tax Registration Number:
   National Revenue: S Zi 440301618838577
   Local Revenue: D Zi 440305618838577

   (4) The Certified Public Accountants engaged by the Company:
   Domestic: PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co.
   Address: 12/F, ShuiOn Plaza, 333 Huai Hai Zhong Road, Shanghai
   Overseas: PricewaterhouseCoopers CPAs
   Address: 22/F, Prince's Building, Hong Kong

(II) Major accounting data and financial indexes

(Unit: In RMB)

Item	Jan. to Jun. 2002	Jan. to Jun. 2001
Income from main business lines	489,945,250	480,906,782
Net profit	84,556,926	83,103,718
Earnings per share	0.125	0.123
Net return on equity	4.37%	4.52%
Net cash flow per share generated from operating activities	0.13	0.20
Item	**June 30, 2002**	**Dec. 31, 2001**
Total asset	2,843,979,677	2,687,911,944
Shareholders' equity (excluding minority interest)	1,932,934,390	1,936,767,845
Net asset per share	2.86	2.86

Difference between the domestic and oversea accounting statements is mainly due to:

(Unit: In RMB)

	Net profit	Net Assets
As reported under IAS:	84,556,926	1,932,934,390
Adjustment on real estate sales recognition		5,439,960
Adjustment on deferred tax		(5,032,727)
Adjustment on deferred assets amortization	(2,491,477)	(2,491,477)
Others	64,681	(2,595,835)
As reported under CAS:	82,130,130	1,928,254,311

III. CHANGES IN SHARE CAPITAL AND PARTICULARS ABOUT MAIN SHAREHOLDERS

(I) Both the Company's total share capital and its structure remained unchanged in the report period.

(II) The Company had totally 43,313 shareholders by the end of the report period.

(III) Particulars about the top ten shareholders by the end of the report period

Name of shareholder	Amount at the end of the report period (Share)	Proportion (%)	Share style
China Northern Industry Shenzhen Corporation	87,175,364	12.88	Juristic person share (A share)
Yiwan Industrial Development (Shenzhen) Co., Ltd.	87,175,364	12.88	Juristic person share (A share)
Shenzhen Freeway Development Co., Ltd.	76,204,633	11.26	Juristic person share (A share)
China Merchants (Glass Industry) Holding Co., Ltd.	29,712,400	4.39	Circulating share (B share)
Shanghai Yexuan Printing Co., Ltd.	8,798,151	1.30	Circulating share (A share)
Shenzhen Jun An Securities Co., Ltd.	5,878,371	0.87	Juristic person share (A share)
Yichang Taohualing Trade Corp.	5,197,945	0.77	Circulating share (A share)
Wuhan Boda Industrial Co., Ltd.	5,122,900	0.76	Circulating share (A share)
Chongming County Liyong Wire Plant	4,601,729	0.68	Circulating share (A share)
Guo Tong Securities Co., Ltd.	3,808,883	0.56	Juristic person share (A share)

Yiwan Industrial Development (Shenzhen) Co., Ltd. and Shenzhen Freeway Development Co., Ltd. are inter-related companies; both of them are controlled subsidiaries of Shenzhen Investment Holding Corp. There is no inter-relation among the other shareholders.

In the report period, there was neither pledge nor frozen on the shares held by said shareholders.

IV. DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

(I) Shares held by Directors, Supervisors and senior executives remained unchanged throughout the report period.

(II) Changes in directors, supervisors and senior executives

1. In the Shareholders' General Meeting 2001 dated May 31, 2002, directors for the 3rd Board of the Company were elected, namely, Mr. Chen Chao, Mr. Zeng Nan, Mr. Zhou Daozhi, Mr. Long Long, Mr. Yan Ganggang, Mr. Li Jingqi, Mr. Ding Jiuru, Mr. Sun Chengming and Mr. Liu Jun; and Mr. Jiao Zhiren, Mr. Yang Hai and Mr. Yuan Dingfu were elected as supervisors for the 3rd Supervisory Committee of the Company.

2. In the 1st meeting of the 3rd Board of Directors dated May 31, 2002, Mr. Chen Chao was elected as Chairman of the Board; Mr. Zeng Nan was engaged as President of the Company; Ms. Sun Jingbo was engaged as Chief Accountant of the Company and Mr. Wu Guobin was engaged as Secretary of the Board.

3. In the 1st meeting of the 3rd Supervisory Committee dated May 31, 2002, Mr. Jiao Zhiren was elected as chairman of the Supervisory Committee.

V. EXECUTIVE STATEMENT

(I) Operation achievements and financial highlights

During the first half year ended June 30, 2002, the Company accumulatively realized a revenue of RMB 489.95 million from main business lines, up 1.88% over the same period of previous year; accumulatively generated foreign exchange of USD 25.32 million, down 1.24% over the same period of previous year, taking 42.79% of the total revenue; realized net profit of RMB 84.56 million, an increase of RMB 1.46 million or 1.76% over the same period of previous year.

(Unit: In RMB 0'000)

Item	**Jan. to Jun. 2002**	**Jan. to Jun. 2001**	**Increase/ Decrease (%)**	**Reason**
Income from main business lines	48,995	48,091	1.88	Increase in sales in industrial sector
Gross profit	19,374	18,319	5.76	Increase in sales and price falling of materials
Net profit	8,456	8,310	1.76	Increase in sales, price falling of materials and reduction in financial expenses
Net decrease in cash and cash equivalents	(1,990)	(3,393)	(41.35)	Decrease in cash flow arising from operating activities and increase in cash paid for purchase and construction of fixed assets
Item	**June 30, 2002**	**Dec. 31, 2001**	**Increase/ Decrease (%)**	**Reason**
Total assets	284,398	268,791	5.81	Increase in fixed assets and construction in progress
Shareholders' equity	193,293	193,677	(0.20)	Dividend distributed in the first half year is more than the profit generated in the same period

(II) Operation in the report period

1. Main business scope and operation

The Company is principally engaged in R&D, production and dealing in raw sheets of high-grade float glass and architectural glass products, new-typed display devices and materials, new-typed electronic components, structure ceramic materials and products; design and installation of the works of glass curtain wall; R&D and production of new models; and investing and shareholding, etc.

2. Business lines of the Company experienced no fundamental changes during the report period.

Business segments:

(Unit: In RMB)

Item	Jan. to Jun. 2002	Jan. to Jun. 2001
Sales of products	468,821,627	451,439,620
Sales of properties	20,121,347	28,097,573
Rental income	1,002,276	1,369,589
Total	489,945,250	480,906,782

3. The Company was engaged in no other business imposing significant impact on its profit realized in the report period.

(III) Investment

1. In the report period, the Company did not raise any fund through share offering or utilize any fund raised before the report period.

2. Application of the funds not raised through share offering in the report period.

(1) The third ITO coating production line has been put into operation.

(2) The precise coating glass production line has been completed by approximately 70% and scheduled to start production kindling in Sep. 2002 and put into commercial operation from the fourth season of 2002 or the beginning of 2003.

(3) In the report period, the Company incorporated Tianjin CSG Architectural Glass Co., Ltd., whose scheduled investment totaled RMB 400 million and registered capital amounted to RMB 138 million including RMB 84.18 million injected by the Company, taking 61% of the total. The new-established company is mainly engaged in production of architectural glass represented by Low-E glass, a kind of hi-tech environmental protection and energy-saving materials, development of which was greatly encouraged by the state. Relevant

registration procedure with Administration for Industry and Commerce was completed on June 12, 2002 and the work of site and equipment selection are undergoing.

(IV)The Company did not disclose any profit prediction of the report period.

(V) Operation plan for the second half year of 2002

1. The Company plans to realize revenue of RMB 620 million from its main business lines in the second half year of 2002.

2. The Company is resolved to maximize its profit by doing a good job on both production and operation. It is to attach great importance on its marketing and adjust its production in accordance with the market demand, accomplishing the annual targets while laying a solid foundation in the same time for the next year. Sticking to the high quality policy, the Company is to manufacture the best product with the lowest cost. Moreover, the Company is to further reinforce its internal management, especially in terms of inventory control and account receivable collection; to strengthen the budget restriction making full advantage of the supervision and control function of finance and audit, and complete the tasks as planed in the budget.

3. The Company is to expedite its construction in progress and assure the timely completion and operation in high quality.

4. The Company is to speed up the upgrading of its products and maintain the leading position in the industry. In particular, it is to persist the hi-grade product policy and generate profit from hi-technology, hi-quality and high value added. Also, it is to reinforce its R&D for new products and improve its introduction ability bearing the spirit of innovation, so as to stable its leading position in the industry and the market competitive advantages.

5. The Company is to further improve the operation and management in its subsidiaries engaging in real estate development, and to settle the inventory and recover the capital in a timely manner.

6. The Company is to enhance its research on the development strategy and management level, meeting and progressing with the actual situation.

7. The Company is to carry its enterprise culture development to a higher level, and to make great effort to cultivate a group of executives with high innovation, loyalty, and competitiveness.

(VI) The Company enjoys a stable operation and predicts that no significant changes will take place in the next report period over the same period of previous year.

(VII) The Company's semi-annual financial reports have not been audited by the Certified Public Accountants.

VI. SIGNIFICANT EVENTS

(I) Profit distribution plan for the year 2001 was approved in the Shareholders' General Meeting dated May 31, 2002 as follows: based on the total share capital of 676,975,416 at the end of 2001, the Company distributed cash dividend to all shareholders at the rate of RMB 1.3 for every 10 shares (tax included), which was implemented at the end of June 2002.

(II) Material lawsuit and arbitration

The case of the "Home of Overseas Chinese" between Hainan CSG Industrial Development Co. (Development Co.), the Company's wholly owned subsidiary, and Hainan Yuehai Construction Economic Development Co. (Yuehai Company) was judged on Nov. 26, 1999 at Hainan Provincial Interim People's Court with (1999) HNMCZ No. 12 Civil Judgment. The judgement demanded Yuehai Company repays RMB 17,153,423.36 house payment and 70% of relevant losses of interest to Development Co., whereas Development Co. returns unsold houses of Home of Overseas Chinese. The Company pleaded to Hainan Provincial High People's Court due to dissatisfaction to the initial judgment. But the High People's Court stood the initial judgment on Aug. 30, 2000 with (2000) QMZZ No. 28 Civil Judgment. Development Co. still believed that the judgment was unfair and interest of the company was harmed, so pleaded to the Supreme People's Court of the People's Republic of China in Dec. 2000. The case was judged on Sept. 6, 2001 at the Supreme People's Court of the People's Republic of China with (2000) MJZ No. 568 Judgment, quashing the judgement of Hainan Provincial Interim and High People's Court and demanding retrial at Hainan Provincial High People's Court. The case is still under ruling now.

(III) In the report period, the Company conducted no sales, purchase or disposal of assets, or consolidation and merge.

(IV) Related transactions: for the detail, please refer to the notes to the Financial Reports.

(V) Material contracts and the implementation

1. In the report period, neither the Company trusted, contracted or leased assets from other companies nor its assets were trusted, contracted or leased by other companies.

2. Material guarantees:

In the report period, the Company had never offered guarantee to any companies other than its subsidiaries. The guarantees offered to the subsidiaries are as follows:

Company	**Amount (In 0'000)**	
	USD	**RMB**
Shenzhen Wellight Coating Company Limited	100	1,000
Shenzhen Wellight Conductive Coating Company Limited		2,000
Shenzhen Benxun Autoglass Company Limited	500	500
Shenzhen CSG Architectural Glass Company Limited		1,300
Shenzhen Southern Float Glass Company Limited	1,505	14,100
Southern Glass (Tianjin) Industrial Development Company Limited		625
Total	2,105	19,525

3. In the report period, the Company did not entrust others to manage its cash assets.

(VI) Neither the Company nor its shareholders holding no less than 5% of its total shares made commitment, which may impose significant impact on the Company's operation achievement or financial position, in the report period or in the previous period lasting the report period.

(VII) Disengagement of Certified Public Accountants

1. Since business license of Zhongtianqin Certified Public Accountants, the original auditor for A share of the Company, was canceled by the Ministry of Finance, the Company dismissed it and instead engaged Arthur Andersen . Hua Qiang Certified Public Accountants as auditor for A share, which was published on Oct. 30, 2001 and approved complementarily in 2001 Shareholders' General Meeting of the Company.

2. Since Andersen . Hua Qiang Certified Public Accountants and Arthur Andersen & Co. decided to transfer its business to PricewaterhouseCoopers, the Company engaged PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. and PricewaterhouseCoopers Certified Public Accountants as auditors for the Company's A and B shares respectively, as resolved in the Board Meeting dated April 25, 2002.

Above proposal has been examined and approved in Shareholders' General Meeting dated May 31, 2002.

VII. FINANCIAL REPORTS (UN-AUDITED)

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2002

(UN-AUDITED)

PREPARED BY: CSG TECHNOLOGY HOLDING CO. LTD.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2002
(Expressed in Renminbi)

	Note	June 30, 2002	Dec. 31, 2001
ASSETS			
Current assets			
Cash and cash equivalents	3	162,267,048	182,168,597
Pledged bank deposits	4	13,995,080	18,586,984
Trade receivables, net	5	212,632,678	154,602,191
Due from related company	25	29,635,161	37,085,084
Inventories, net	6	117,525,409	87,978,096
Properties for sale, net	7	273,675,419	279,333,111
Other current assets	8	1,849,358	11,797,865
		811,580,153	771,551,928
Non-current assets			
Long-term investments	9	8,206,991	9,117,958
Property, plant and equipment, net	10	1,688,961,081	1,652,667,275
Construction-in-progress	11	252,395,382	169,755,254
Land use rights	12	84,738,163	86,424,323
Intangible assets	13	(6,934,820)	(6,637,521)
Deferred tax assets	20	5,032,727	5,032,727
		2,032,399,524	1,916,360,016
Total Assets		2,843,979,677	2,687,911,944
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	280,959,662	292,326,684
Due to related company	25	6,284,170	18,769,551
Taxes payable	15	8,919,033	4,218,580
Short-term bank loans	16	554,760,055	401,762,800
Current portion of long-term bank loans			-
		850,922,920	717,077,615
Non-current liabilities			
Other non-current liabilities		10,000,000	-
Minority interests		50,122,367	34,066,484
Capital and reserves			
Share capital	18	676,975,416	676,975,416
Reserves		1,121,068,694	1,121,452,271
Retained earnings		134,890,280	138,340,158
		1,932,934,390	1,936,767,845
Total Liabilities and Equity		2,843,979,677	2,687,911,944

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
AS OF JUNE 30, 2002
(Expressed in Renminbi)

	Note	Jan. to Jun. 2002	Jan. to Jun. 2001
Sales	21	489,945,250	480,906,782
Cost of sales		(296,204,122)	(297,716,655)
Gross profit		193,741,128	183,190,127
Distribution and selling expenses		(35,840,247)	(33,173,674)
General and administrative expenses		(54,466,888)	(52,068,349)
Write-back of net realisable value provision (Net realisable value provision) for properties for sale		(256,104)	
Other operating income, net		2,238,246	2,952,611
Profit from operations		105,416,135	100,900,715
Financial expenses, net		(7,633,604)	(15,155,552)
Profit before tax		97,782,531	85,745,163
Income tax	24	(6,480,893)	(1,746,119)
Profit after tax			
Minority interests		(6,744,712)	(895,327)
Net profit		84,556,926	83,103,718
Earnings per share			
- Basic	22	0.125	0.123
- Diluted		Not Applicable	Not Applicable

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS OF JUNE 30,2002

(Expressed in Renminbi)

	Note	Share capital	Reserves: Share premium	Reserves: Revaluation reserve	Reserves: Statutory revenue reserve	Reserves: Statutory common welfare fund	Reserves: Cumulative translation reserve	Retained earnings (Accumulated deficit)	Total
Balances as of January 1, 2001		676,975,416	920,559,397	7,338,068	105,547,358	71,562,025	1,157,813	81,752,146	1,864,892,223
Dividends declared								(81,237,050)	(81,237,050)
Currency translation differences							(94,708)		(94,708)
Net profit for the year								153,207,380	153,207,380
Inner-transfer of reserves					(4,874,845)	(2,437,422)		7,312,267	
Profit appropriation to statutory reserves					15,129,723	7,564,862		(22,694,585)	
Balances as of December 31, 2001		676,975,416	920,559,397	7,338,068	115,802,236	76,689,465	1,063,105	138,340,158	1,936,767,845
Dividends declared	19							(88,006,804)	(88,006,804)
Currency translation differences							(383,577)		(383,577)
Net profit for the year								84,556,926	84,556,926
Balances as of June 30, 2002		676,975,416	920,559,397	7,338,068	115,802,236	76,689,465	679,528	134,890,280	1,932,934,390

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
AS OF JUNE 30, 2002
(Expressed in Renminbi)

	Note	Jan. to Jun. 2002	Jan. to Jun. 2001
Net cash inflow from operating activities	23	99,788,874	136,251,556
Interest paid		(11,318,269)	(16,765,328)
Income taxes paid		(3,244,715)	(2,218,042)
Net cash provided by operating activities		85,225,890	117,268,186
Net cash outflow from investing activities			
Purchase of property, plant and equipment		(181,726,114)	(49,595,933)
Increase in intangible assets and other long-term assets			(4,327,476)
Purchase of share from minority shareholder of a subsidiary			(9,678,760)
Proceeds from disposal of investment		12,698,100	
Interest received		934,414	1,500,511
Net cash used in investing activities		(168,093,600)	(62,101,658)
Net cash outflow from financing activities			
Repayment of short-term bank loans		128,997,255	(6,679,600)
Repayment of long-term bank loans		10,000,000	
Decrease in other long-term liabilities			
Dividends paid to minority shareholders			
Dividends paid to shareholders		(85,342,269)	(82,413,881)
Capital contributed by the minority shareholder of subsidiary		9,311,175	
Net cash used in financing activities		62,966,161	(89,093,481)
Net decrease in cash and cash equivalents		(19,901,549)	(33,926,953)
Cash and cash equivalents at beginning of year		182,168,597	198,497,208
Adjustment for foreign currency translation difference			(453,361)
Cash and cash equivalents at end of year	3	162,267,048	164,116,894

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30,2002

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

1. ORGANISATION AND OPERATIONS

China Southern Glass Technology Holding Co., Ltd. (the "Company") was incorporated on September 10, 1984 in the People's Republic of China (the "PRC") as a joint venture enterprise under the laws of the PRC and was reorganised as a joint stock limited company registered in the PRC in 1991.

The Company's ordinary shares ("A Shares") and domestically listed foreign shares ("B shares") have been listed on the Shenzhen Stock Exchange since February 28, 1992.

The Company and its subsidiaries (the "Group") are principally engaged in the manufacture and sales of glass and ceramics products, property development and leasing and interior decoration design and installation services. The activities of its subsidiaries are shown in Note 27.

The registered office address of the Group is located at CSG Building, No. 1 of the 6th Industrial Road, Shekou, Shenzhen, China. The total number of employees of the Group as of June 30, 2002 was approximately 2,290 (2001: approximately 2,401).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Group are as follows:

(a) Basis of presentation

The accompanying consolidated financial statements are prepared under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). This basis of accounting differs from that used in the management accounts of the Company and its main subsidiaries which were prepared in accordance with generally accepted accounting principles and relevant financial regulations applicable to enterprises in the PRC ("PRC GAAP").

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

(b) Measurement currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the measurement currency of the Company has been determined to be Renminbi. To consolidate the Company and each of its subsidiaries, the financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the consolidated balance sheet, and at the average exchange rate for the year with respect to the consolidated income statement. All resulting translation differences are included in a cumulative translation reserve in equity.

(c) Principles of consolidation

The consolidated financial statements include those financial statements of the Company and its subsidiaries on the basis as set out in Notes 2(d) below.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(d) Subsidiaries

A subsidiary is a company in which the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

(e) Cash and cash equivalents

Cash represents cash in hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(f) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value, after provision for obsolete items. Cost, calculated on the weighted average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Net realisable value is the selling price in the ordinary course of business less the estimated costs of completion, marketing and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost of properties for sale comprises cost and interest of borrowings for the purpose of financing the construction for the period prior to their being in a condition to enter into service. Net realisable value is calculated based on the estimated selling price less all further cost of construction and the related marketing, selling and distribution expenses.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting form their disposal is included in the consolidated income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The expected useful lives are as follows:

Buildings	20 - 35 years
Machinery and equipment	10 - 20 years
Motor vehicles	10 years
Office equipment	8 years

The useful lives of assets and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(j) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into its intended use.

(k) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets subject to operating leases income in their consolidated balance sheet are presented according to the nature of the assets. Lease income from operating leases is recognised in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct cost incurred specifically to earn revenues from an operating lease are recognised as an expense in the consolidated income statement in the period in which they are incurred.

(l) Long-term investments

Long-term investments represent available-for-sale investments and are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Long-term investments are subsequently carried at cost subject to impairment review.

(m) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

i. Patents, trademarks and licenses

Amounts paid for patents, trademarks, licenses are capitalised and amortised on a straight-line basis over the expected useful lives. The expected useful lives of patents, trademarks and licenses are 15 years.

ii. Software

The cost of acquisition of new software is capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over 10 years.

(n) Negative goodwill

Negative goodwill is recognised in the consolidated income statement as follows:

i. To the extent that negative goodwill relates to expected future losses and expenses that are identified in the company's plan for the acquisition and can be measured reliably but which cannot be accrued for the date of acquisition, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

ii. The amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets.

iii. The amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

The negative goodwill is amortised on a straight-line basis over 10 years, which approximates the weighted average useful life of the identifiable depreciable assets acquired. Negative goodwill is presented as a deduction from intangible assets. Amortisation of negative goodwill is offset against general and administrative expenses in the consolidated income statement.

(o) Provisions

A provision is recognised when, and only when, an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(p) Minority interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

If a subsidiary or an associate has outstanding cumulative preferred shares which are held outside the group, the company computes its share of profit or losses after adjusting for the preferred dividends, whether or not the dividends have been declared.

(q) Revenue recognition

Revenue is recognised when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is recognised on the following basis:

(i) Sales of goods

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed.

(ii) Properties for sale

Revenue is recognised when the significant risks and rewards of ownership of the properties for sale have been transferred to customers and the bill of settlement has been submitted and confirmed by customers.

(iii) Rental income

Rental income is recognised when the right to receive payment is established.

(iv) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

(r) Foreign currencies

(i) Foreign currency transactions

The Company and its subsidiaries maintain its books and records in RMB, except for Standard Glass Corporation and China Southern Glass (Australia) Pty Limited ("Overseas subsidiaries") which maintain their books and records in USD and Australian dollars respectively. Transactions in other currencies are translated into the measurement currency at the applicable rates of exchange prevailing at the time of the transactions. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the consolidated income statement in the period in which they arise. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchanges differences, other than those capitalised in fixed assets, are recognised in the consolidated income statement in the period in which they arise.

(ii) Foreign entities

The foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their measurement currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated into RMB at the year end applicable rates, quoted by the People's Bank of China ("PBOC") with respect to the consolidated balance sheet, and at the average applicable PBOC rates during the year in the transactions occurred with respect to the consolidated income statement. All resulting translation differences are included in a cumulative translation reserve in equity.

On the disposal of a foreign entity the cumulative amount of exchange rate differences that relate to the foreign entity, are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

(s) Pension scheme

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Company's local staff employed by the Company and its subsidiaries established in the PRC are to be made monthly to a government agency based on 13% of the standard salary set by the provincial government, of which 8% is borne by the Company and its subsidiaries in PRC and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Company and its subsidiaries in PRC account for these contributions on an accrual basis and charge the related contributions to income in the year to which the contributions relate.

(t) Borrowings

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(u) Taxation

The Group companies provide for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

(v) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents, trade and notes receivable, due from related company, other receivables, long-term investments, trade and notes payable, due to related company, other payables and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group companies have a legally enforceable right to offset and intend to settle either on a net basis or to realize the asset and settle the liability simultaneously.

(w) Impairment of assets

(i) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date. For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans, receivables, an impairment or bad debt loss is recognised in the consolidated income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

(ii) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

(iii) Reversal of impairment losses

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in the consolidated income statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(x) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(y) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(z) New accounting development

During the first half of 2002, the Group adopted IFRS 39 "Financial Instruments: Recognition and Measurement" which are effective for financial statements covering periods beginning on or after January 1, 2001. The adoption of this accounting policy did not have a material impact on the reported financial position or results of the Group and the Company.

3. CASH AND CASH EQUIVALENTS

	June 30, 2002	Dec. 31, 2001
Cash in hand	312,326	300,788
Cash at banks	161,954,722	181,867,809
	162,267,048	182,168,597

4. PLEDGED BANK DEPOSITS

Bank deposits of RMB 13,995,080 (2001: RMB18,586,984) were pledged as guarantee for property sales mortgage granted to its customers.

5. TRADE RECEIVABLES, NET

	June 30, 2002	Dec. 31, 2001
Accounts receivable	213,343,904	164,662,656
Notes receivable	12,576,784	4,371,777
Less: provision for doubtful accounts	(13,288,010)	(14,432,242)
	212,632,678	154,602,191

6. INVENTORIES, NET

	June 30, 2002	Dec. 31, 2001
Finished goods	53,129,212	37,103,670
Work-in-progress	13,516,400	8,386,149
Raw materials	53,680,055	45,317,488
	120,325,667	90,807,307
Less: provision for obsolescence	(2,800,258)	(2,829,211)
	117,525,409	87,978,096

7. PROPERTIES FOR SALE, NET

	June 30, 2002	Dec. 31, 2001
Properties for sale, at cost	461,107,752	467,521,548
Less: provision for net realisable value	(187,432,333)	(188,188,437)
	273,675,419	279,333,111

8. OTHER CURRENT ASSETS

	June 30, 2002	Dec. 31, 2001
Other receivables	(1,413,025)	7,771,134
Prepaid expenses	2,281,879	3,043,424
Deferred charges	980,504	983,307
	1,849,358	11,797,865

9. LONG-TERM INVESTMENTS

	June 30, 2002	Dec. 31, 2001
Unlisted investment in the PRC, at cost	25,397,960	26,308,927
Less: provision for impairment in value	(17,190,969)	(17,190,969)
	8,206,991	9,117,958

No quoted market prices as of June 30, 2002 are available for the above unlisted companies.

10. PROPERTY, PLANT AND EQUIPMENT, NET

	Jan. to Jun. 2002				Dec. 31, 2001
	Buildings	Machinery and equipment	Motor vehicles and office equipment	Total	Total
Cost					
Beginning of year	496,249,405	1,489,242,124	123,234,860	2,108,726,389	2,078,324,974
Additions	(18,086,825)	101,671,326	1,010,578	84,595,079	27,515,907
Transfer from CIP		-	-	-	13,275,743
Disposals	-	-	-	-	(10,390,235)
End of year	478,162,580	1,590,913,450	124,245,438	2,193,321,468	2,108,726,389
Accumulated depreciation					
Beginning of year	(71,858,229)	(322,745,867)	(61,455,018)	(456,059,114)	(352,680,844)
Charges for the year	(5,559,263)	(39,965,994)	(2,847,424)	(48,372,681)	(103,025,743)
Impairment losses	-	71,408	-	71,408	(4,801,351)
Disposals	-	-	-	-	4,448,824
End of year	(77,417,492)	(362,640,453)	(64,302,442)	(504,360,387)	(456,059,114)
Net book value					
End of year	400,745,088	1,228,273,297	59,942,696	1,688,961,081	1,652,667,275
Beginning of year	424,391,176	1,166,496,257	61,779,842	1,652,667,275	1,725,644,130

11. CONSTRUCTION-IN-PROGRESS

	June 30, 2002	Dec. 31, 2001
Beginning of year	169,755,254	26,334,095
Additions	184,284,986	163,521,947
Transferred out to land use rights		(6,825,045)
Transferred out to property, plant and equipment	(101,644,858)	(13,275,743)
End of year	252,395,382	169,755,254

12. LAND USE RIGHTS

	June 30, 2002	Dec. 31, 2001
Cost		
Beginning of year	109,353,360	102,528,315
Transfer from CIP		6,825,045
End of year	109,353,360	109,353,360
Cumulative amount charged to consolidated income statement		
Beginning of year	(22,929,037)	(19,418,257)
Charges for the year	(1,686,160)	(3,510,780)
End of year	(24,615,197)	(22,929,037)
Net carrying value		
End of year	84,738,163	86,424,323
Beginning of year	86,424,323	83,110,058

Land use rights comprised fees paid to Shenzhen National Real Estate Management Bureau for the right to use the land where the Company's factory buildings in Shenzhen are located.

Payments for land use rights represent prepaid lease payments for the land and are recognised as an expense on a straight-line basis over the estimated period of use of the land use rights of 27-50 years. Estimated period of use of a land use right is the shorter of the land use period according to the land use right certificate and the approved operating period of the company holding the land use right. As of June 30, 2002, the Group had no future lease payment obligations in respect of the above land use rights.

13. INTANGIBLE ASSETS

	June 30, 2002				Dec. 31, 2001
	Software	Patents, trademarks and licenses	Negative goodwill	Total	Total
Cost					
Beginning of year	3,043,694	4,552,240	(13,712,589)	(6,116,655)	3,043,694
Additions	-				(9,160,349)
End of the year	3,043,694	4,552,240	(13,712,589)	(6,116,655)	(6,116,655)
Accumulated amortisation					
Beginning of year	(1,740,381)	(151,743)	1,371,258	(520,866)	(1,300,271)
Amortisation for the year	(67,987)	(229,312)		(297,299)	779,405
End of the year	(1,808,368)	(381,055)	1,371,258	(818,165)	(520,866)
Net book value					
End of year	1,235,326	4,171,185	(12,341,331)	(6,934,820)	(6,637,521)
Beginning of year	1,303,313	4,400,497	(12,341,331)	(6,637,521)	1,743,423

The negative goodwill was arisen from the acquisition of additional shares of Shenzhen Wellight Coating Company Limited in 2001.

14. TRADE AND OTHER PAYABLES

	June 30, 2002	Dec. 31, 2001
Trade payable	130,237,599	82,485,989
Notes payable	20,863,866	37,783,937
Advance from customers	20,892,631	26,429,936
Salary payable and welfare payable	1,931,565	2,236,010
Accruals	18,210,273	22,679,584
Payable for construction work and equipment purchase	86,159,195	63,666,302
Others	2,664,533	57,044,926
	280,959,662	292,326,684

15. TAXES PAYABLE

	June 30, 2002	Dec. 31, 2001
Provision for income tax	5,889,415	262,908
Provision for value added tax	1,899,765	1,114,594
Provision for business tax	560,570	1,991,638
Others	569,283	849,440
	8,919,033	4,218,580

16. SHORT-TERM BANK LOANS

As of June 30, 2002, all short-term bank loans were unsecured. These loans bear interest ranging from 2.839% to 6.435% (2001: from 3.190% to 6.435%) per annum.

17. EMPLOYEE SOCIAL INSURANCE SCHEMES

The Company participates in certain employee social insurance schemes in respect of pension insurance and medical insurance and other insurance managed by governmental organization. According to the relevant provisions, the Company and its employees are required to make contributions to Shenzhen Municipal Social Security Administration Bureau at specified rates based on the basic salaries of the employees. The portion of insurance expenses contributed by the Company and its subsidiaries is included in the consolidated statement of income.

The Company paid monthly pension insurance and medical insurance premium to Shenzhen Municipal Social Security Administration Bureau at the rates of 13% and 9% respectively based on the basic salaries of the employees. All the Group's PRC subsidiaries have already participated in certain employee social insurance schemes managed by local Social Security Administration Bureau.

18. SHARE CAPITAL

The share capital of the Company comprised ordinary shares of RMB1 each. The details are set out as follows:

Authorized, issued and fully paid	June 30, 2002	Dec. 31, 2001	June 30, 2002	Dec. 31, 2001
	Number of shares		RMB	
Unlisted shares				
Shares owned by domestic legal persons	270,756,873	270,756,873	270,756,873	270,756,873
Shares owned by foreign legal persons	76,044,590	76,044,590	76,044,590	76,044,590
Shares owned by employees	580,989	580,989	580,989	580,989
Subtotal	347,382,452	347,382,452	347,382,452	347,382,452
Listed shares				
A shares	106,585,008	106,585,008	106,585,008	106,585,008
B shares	223,007,956	223,007,956	223,007,956	223,007,956
Subtotal	329,592,964	329,592,964	329,592,964	329,592,964
	676,975,416	676,975,416	676,975,416	676,975,416

19. DIVIDENDS

Cash dividends declared and authorised after December 31, 2001 were RMB 88,006,804.

In accordance with the Articles of Association of the Company, the Company declares dividends based on the lower of retained earnings as reported in the statutory accounts prepared in accordance with PRC GAAP and the financial statements prepared in accordance with IFRS. As the statutory accounts have been prepared in accordance with PRC GAAP, the retained earnings as reported in the statutory accounts is different from the amount reported in the accompanying consolidated statement of changes in equity.

20. DEFERRED TAX ASSETS

There was no material unprovided deferred tax assets and liabilities of the Group to be recognised as of June 30, 2002.

21. SALES

	Jan. to Jun. 2002	Jan. to Jun. 2001
Sales of products	468,821,627	451,439,620
Sales of properties	20,121,347	28,097,573
Rental income	1,002,276	1,369,589
	489,945,250	480,906,782

22. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit as of June 30, 2002 attributable to ordinary shareholders of RMB 84,556,926 (as of June 30, 2001: RMB 83,103,718), divided by the weighted average number of ordinary shares issued as of June 30, 2002 of 676,975,416 shares (as of June 30, 2001: 676,975,416 shares). Diluted earnings per share is not presented as there is no potential dilutive ordinary shares outstanding during the years.

23. NET CASH INFLOW FROM OPERATING ACTIVITIES

Reconciliation from consolidated profit before tax and minority interests to net cash inflow from operating activities:

	Jan. to Jun. 2002	Jan. to Jun. 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax and minority interests	97,782,531	85,745,164
Adjustments for:		
Provision for doubtful accounts	187,800	(525,761)
Depreciation	50,491,192	71,250,200
Loss on disposal of fixed assets	61,225	
Impairment losses for fixed assets		
(Write back of net realisable value provision) net realisable value provision for properties for sale	(256,104)	
(Write back of impairment losses) Impairment losses for long-term investments		
Provision for obsolescence of inventories		
Interest expenses	11,318,269	16,765,328
Interest income	(934,414)	(1,500,511)
Prepaid lease payments for land use rights charged against income	1,686,160	
Amortisation of intangible assets	297,299	144,000
Operating profit before working capital changes	160,633,958	171,878,420
Decrease (Increase) in inventories	(29,547,313)	(9,760,167)
Decrease in properties for sale	5,913,796	16,928,969
Decrease in prepaid expenses and other receivables		（7,321,051）
Decrease (Increase) in trade and notes receivable	(58,030,487)	2,616,007
(Increase) Decrease in other current assets	9,948,507	(3,199,586)
Decrease (Increase) in pledged bank deposits	4,591,904	(15,007,763)
Increase in deferred tax assets		2,722,141
Increase in the due from related company	(7,449,923)	
Decrease in trade and other payables	11,367,022	3,759,572
Decrease in due to related companies	12,485,381	
(Decrease) Increase in other current liabilities	(10,123,971)	(26,364,986)
Net cash inflow from operating activities	99,788,874	136,251,556

24. INCOME TAXES

In accordance with the prevailing Enterprise Income Tax (“EIT”) laws, the Company and its subsidiaries in the PRC are subject to income tax at rates of 15% or 33%, determined by their respective place of incorporation. Subsidiaries located abroad are subject to tax rates of their place of incorporation. Besides, some subsidiaries are enterprises with foreign investment in the PRC and are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years.

25. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Relationship

Name	Relationship
South Bright Glass Limited	Controlled by one of the promoters of the Company

(b) Transactions

The Company has entered into a variety of transactions with its associates. The Company enters into transactions in the normal course of business on an arm's length basis. The most significant of these transactions are as follows:

	Jan. to Jun. 2002	Jan. to Jun. 2001
Sales of goods		
South Bright Glass Limited	15,067,263	13,052,541

(c) Balances with related party

All the balances with related company as of June 30, 2002 were unsecured, interest free and repayable on demand.

26. IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT/NET ASSETS

	Net profit		Net assets	
	Jan. to Jun. 2002	Jan. to Jun. 2001	June 30, 2002	Dec. 31, 2001
As reported in the statutory accounts	82,130,130	79,220,771	1,928,254,311	1,846,507,758
Impact of adjustments:				
Real estate sales recognition, net			(5,439,960)	(5,439,960)
Deferred tax			5,032,727	5,032,727
Long-term deferred expenses	2,491,477	3,882,947	2,491,477	(2,134,748)
Profit appropriation – dividends				88,006,804

Others	(64,681)		2,595,835	4,795,264
As stated under IAS	84,556,926	83,103,718	1,932,934,390	1,936,767,845

27. INVESTMENT IN SUBSIDIARIES

As of June 30,2002, the Company directly/indirectly held the following subsidiaries:

Name	Place of incorporation	Registered capital	Principal activities	Percentage of equity interest held
Directly held				
Shenzhen Southern Star Glass Processing Company Limited	Shenzhen, PRC	23,100,000	Glass processing	100%
Shenzhen Nanfeng Glass Machinery Company Limited	Shenzhen, PRC	12,000,000	Production of glass manufacturing machinery and related equipment	100%
Shenzhen CSG Architectural Glass Company Limited	Shenzhen, PRC	32,000,000	Glass deep processing	100%
Hainan Southern Glass Development Company Limited	Haikou, PRC	30,000,000	Property development and investment	100%
Southern Glass (Wuhan) Industrial Development Company Limited	Wuhan, PRC	40,000,000	Property development and investment	100%
Standard Glass Corporation	USA	USD200,000	Distribution of glass products	100%
China Southern Glass (Australia) Pty Limited	Australia	AUD500,000	Glass trading	100%
Shenzhen Nanbo Spandrel and Tempglass Company Limited	Shenzhen, PRC	15,000,000	Production of colour-coated glass	100%
Shenzhen Nanbo Structure Ceramics Company Limited	Shenzhen, PRC	30,000,000	Production of structural ceramic products	100%
Shenzhen Nanbo Curtain Wall Engineering Co., Ltd.	Shenzhen, PRC	12,000,000	Interior decoration, design and installation of glass curtain wall	100%
Shenzhen Nanhong Electronic Ceramics Company Limited	Shenzhen, PRC	50,000,000	Production of electronic ceramic components	100%
Shenzhen Southern Float Glass Company Limited	Shenzhen, PRC	605,736,250	Production of special float glass	100%
Shenzhen Benxun Autoglass Company Limited	Shenzhen, PRC	140,000,000	Production of auto safety glass	100%
Sichuan Southern Glass Development Company Limited	Chengdu, PRC	40,000,000	Property development and investment	100%

Name	Place of incorporation	Registered capital	Principal activities	Percentage of equity interest held
Wen Chang CSG Silica Sand Mine Company	Wenchang, PRC	40,000,000	Production of silica sand	100%
Beihai Southern Glass Real Estate Development Company Limited ("Beihai")	Beihai, PRC	20,000,000	Property development and investment	100%
Southern Glass (Tianjin) Industrial Development Company Limited ("Southern Glass Tianjin")	Tianjin, PRC	20,000,000	Property development and investment	100%
Shenzhen Wellight Coating Company Limited	Shenzhen, PRC	USD8,000,000	Production of coated glass and mirrors	100%
Shenzhen Southern Glass Display Technology Company Limited	Shenzhen, PRC	USD9,000,000	Production of display devices and materials	75%
Shenzhen Hong Da Mirrors Company Limited	Shenzhen, PRC	6,780,000	Production of mirrors and glass products	75%
Shenzhen Xinhongda Safety Glass Company Limited	Shenzhen, PRC	10,080,000	Production of safety glass and coating	75%
Shenzhen Wellight Conductive Coating Company Limited	Shenzhen, PRC	USD5,000,000	Production of conductive glass products	70%
Indirectly held				
Hainan First International Tourism Development Co. Ltd.	Haikou, PRC	HKD10,000,000	Automotive hotel service and tourism guide	100%
Hainan Southern Glass Property Management Co., Ltd.	Haikou, PRC	5,000,000	Property management	100%

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year’s presentation in accordance with the new presentation and disclosure requirements.

VIII. DOCUMENTS FOR REFERENCE

1. Original Semi-Annual Report 2002 carried with the signature of the Chairman of the Board;

2. Financial statements carried with the signatures or seals of the legal representative, chief accountants and person in charge of accounting affairs;

3. Original documentation and announcement of the Company disclosed in related media designated by CSRC in the report period;

4. Articles of Association of the Company.

Board of Directors of
CSG Technology Holding Co., Ltd.

August 3, 2002