# CSG TECHNOLOGY HOLDING CO., LTD.

# 2002 ANNUAL REPORT

**CEO：Zeng Nan**

**April 2003**

# 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.
Chairman of the Board of the Company Mr. Chen Chao, CEO Mr. Zheng Nan and Chief financial supervisor Ms. Sun Jingbo hereby confirm that the Financial Report of the Annual Report is true and complete.

This Report is prepared both in Chinese and in English. Should there be any difference in interpretation of the text between the two versions, the Chinese version shall prevail.

# Contents:

# I. Company Profile

**i** Legal Name of the Company
In Chinese: 中国南玻科技控股（集团）股份有限公司
In English: CSG Technology Holding Co., Ltd.
Short Form in Chinese: 南玻集团
Short Form in English: CSG

**ii** Legal Representative: Chen Chao

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

**iv** 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

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

**vi** Stock Exchange Listed with: 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

**vii** Other Information About the Company
(i) Initial registration date and place
Initial registration date: Sept. 10, 1984
Initial registration place:
Industry and Commerce Administration Bureau of Shenzhen Municipal
(ii) Registration number of enterprise legal person's Business license:
GSWQGYSZ Zi No. 100482
(iii) Reference Number of taxation:
National Revenue: S Zi 440301618838577
Local Revenue: D Zi 440305618838577
(iv) The Certified Public Accountants engaged by the Company:
Domestic: Pricewaterhouse Coopers Zhongtian CPAs Co., Ltd.

Address:12/F, Shui On Plaza, No. 333, Huaihai Middle Road, Shanghai 200021, P.R.C.
Overseas: Pricewaterhouse Coopers CPAs
Address: 22/F, Prince's Building, Central, Hong Kong

## II. Financial Highlight

### i Major accounting data as of the report period (Unit: In RMB'000)

| | |
|---|---|
| 1、Profit before tax | 194,279 |
| 2、Net profit | 162,802 |
| 3、Gross profit | 394,317 |
| 4、Other operating income, net | 26,031 |
| 5、Profit from operations | 211,857 |
| 6、Net cash provide by operating activities | 284,365 |
| 7、Net decrease in cash and cash equivalents | (2,304) |

In the year 2002, the Company realized a net profit amounting to RMB 163,311,000 and RMB 162,802,000 respectively audited by Pricewaterhouse Coopers Zhongtian CPAs Co., Ltd. and Pricewaterhouse Coopers CPAs. The difference between two results was due to: (Unit: In RMB'000)

| | |
|---|---|
| As reported under IAS: | 162,802 |
| Adjustment of deferred tax | 4,587 |
| Adjustment of long-term expenses to be apportioned | (1,707) |
| Adjustment of sales income from real estate | (2,371) |
| As reported under CAS: | 163,311 |

### ii Major accounting date and financial indexes over the past three years (Unit: In RMB'000)

| Items | 2002 | 2001 | 2000 | |
|---|---|---|---|---|
| | | | Before adjustment | After adjustment |
| Sales | 1,047,831 | 1,016,561 | 1,163,618 | 1,163,618 |
| Net profit | 162,802 | 153,207 | 189,359 | 189,359 |
| Total assets | 2,978,128 | 2,687,912 | 2,729,248 | 2,755,818 |
| Shareholders' equity | 2,011,116 | 1,936,768 | 1,864,892 | 1,864,892 |
| Earnings per share(RMB) | 0.24 | 0.23 | 0.28 | 0.28 |
| Net assets per share(RMB) | 2.97 | 2.86 | 2.75 | 2.75 |
| Net cash flow per share arising from operating activities(RMB) | 0.42 | 0.45 | 0.43 | 0.43 |
| Return on equity(%) | 8.10 | 7.91 | 10.15 | 10.15 |

### iii Particulars about change in shareholders' equity in the report period (Unit: In RMB'000)

| Items | Share capital | Capital reserve | Statutory common reserve fund | Statutory public welfare fund | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Amount at the period-begin | 676,975 | 927,897 | 115,803 | 76,689 | 138,341 | 1,936,768 |
| Increase as of the period | - | - | 16,331 | 8,166 | 50,298 | 74,348 |
| Decrease as of the period | - | - | - | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Amount at the period-end | 676,975 | 927,897 | 132,134 | 84,855 | 188,639 | 2,011,116 |
| Reason of change | — | — | Draw form the profit of the period | Draw form the profit of the period | The balance after the distribution of the profit | The profit of the period |

## III. Changes in Share Capital and Particulars about the Shareholders

**i** Changes in share capital

(i) Statement of changes in share capital as of the report period(Unit: Share)

| | Before the change | Increase/Decrease (+/-) as of the period | | | | | | After the change |
|---|---|---|---|---|---|---|---|---|
| | | Shares allotment | Bonus shares | Capitalization of Public reserve | Additional issuance | others | Sub-total | |
| 1. Unlisted shares | | | | | | | | |
| ① Promoters' shares | 242,326,589 | | | | | | | 242,326,589 |
| Including: | | | | | | | | |
| State-owned shares | | | | | | | | |
| Domestic legal person's shares | 242,326,589 | | | | | | | 242,326,589 |
| Foreign legal person's shares | | | | | | | | |
| Others | | | | | | | | |
| ② Raised legal person's shares | 28,430,284 | | | | | | | 28,430,284 |
| ③ Inner employees' Shares | | | | | | | | |
| ④ Preference shares or others | | | | | | | | |
| Including: Transferred allotted shares | | | | | | | | |
| Total unlisted shares | 270,756,873 | | | | | | | 270,756,873 |
| 2. Listed shares | | | | | | | | |
| ① Ordinary RMB Shares | 107,165,997 | | | | | | | 107,165,997 |
| ② Domestically listed foreign shares | 299,052,546 | | | | | | | 299,052,546 |
| ③ Overseas listed foreign shares | | | | | | | | |
| ④ Others | | | | | | | | |
| Total listed shares | 406,218,543 | | | | | | | 406,218,543 |
| 3. Total shares | 676,975,416 | | | | | | | 676,975,416 |

(ii) Share issue and listing

a. The Company issued neither new shares nor derivative securities for the previous three years at the end of the report period.

b. There is no change of total share capital and structure in the report period.

c. Original director of the Company Mr. Huang Jieping, original supervisor Mr. Meng Yinglong, original deputy general manager Mr. Zhong Zhongliu respectively resigned from his post, thus, the original frozen shares 43,991shares, 36,442 shares and 43,171 shares were carried out the shares release procedure respectively.

242,608 shares held by the directors, supervisors and senior executives of the Company were frozen ended by the report period.

**ii** Particulars about the principal shareholders ended by the report period

(i) Ended by the report period, the Company had totally 53,064 shareholders.

(ii) Particulars about the shares held by the top ten shareholders

| Name of shareholders | Increase/ decrease in the report year (share) | Holding shares at the year-end (share) | Proportion (%) | Type of shares (non-circulating / circulating) | Number of share pledged or frozen | Nature of shareholders |
|---|---|---|---|---|---|---|
| Yiwan Industrial Development (Shenzhen) Co., Ltd. | +723,003 | 87,898,367 | 12.98 | Non-circulating | No | Foreign shareholder |
| China Northern Industry Shenzhen Corporation | 0 | 87,175,364 | 12.88 | Non-circulating | No | |
| Xin Tong Chan Development (Shenzhen) Co., Ltd. | +76,204,633 | 76,204,633 | 11.26 | Non-circulating | No | Foreign shareholder |
| China Merchants (Glass Industry) Holding Co., Ltd. | -36,673,725 | 11,217,572 | 1.66 | Circulating | Unknown | |
| Shenzhen Jun An Securities Co., Ltd. | 0 | 5,878,371 | 0.87 | Non-circulating | No | |
| China Merchants Securities Co., Ltd. | +3,808,883 | 3,808,883 | 0.56 | Non-circulating | No | |
| San Xia Securities Co., Ltd. | -19,009,224 | 3,721,727 | 0.55 | Circulating | Unknown | |
| Shenzhen Guangsheng Investment Co., Ltd. | +2,156,705 | 2,156,705 | 0.32 | Circulating | Unknown | |
| Shenzhen Shifang Commercial Advisory Co., Ltd | 0 | 1,914,689 | 0.28 | Non-circulating | No | |
| Yu Ching | 0 | 1,606,066 | 0.24 | Circulating | Unknown | |

a. Yiwan Industrial Development (Shenzhen) Co., Ltd. Bought 723,003 legal person's shares of the company by way of auction in the year 2002, thus, it held 87,898,367 legal person's shares of the company.

b. Original the third largest shareholder of the company Shenzhen Freeway Development Co., Ltd. Changed its name as Xin Tong Chan Development (Shenzhen) Co., Ltd..

c. There existed the associated relationship between Yiwan Industrial Development (Shenzhen) Co., Ltd. And Xin Tong Chan Development (Shenzhen) Co., Ltd., which controlled by Shenzhen International Holdings Limited. Except for this, there existed no associated relationship among the other shareholders.

(iii)Brief introduction of legal person shareholders holding no less than 10% of total shares of the Company

♦ **Yiwan Industrial Development (Shenzhen) Co., Ltd.**

Yiwan Industrial Development (Shenzhen) Co., Ltd. was founded on Sept 13, 1994, which is a wholly owned subsidiary of Shenzhen International Holdings Limited. Its registered capital is HKD 20 million.

Legal representative: Chen Chao

Business scope: Manufacture and operation of construction material, decoration material, new-style macromolecular material, energy saving electromechanical products, refining chemical industry products, etc.

♦ **China Northern Industry Shenzhen Corporation**

China Northern Industry Shenzhen Corporation was founded on May 22, 1981, which is a wholly owned subsidiary of China Northern Industry Corporation. Its registered capital is RMB 124.85 million.

Legal representative: Jiao Zhiren

Business scope: Domestic trading, supply and marketing of materials, storage, etc.

♦ **Xin Tong Chan Development (Shenzhen) Co., Ltd.**

Shenzhen Freeway Development Co., Ltd. was founded on September 8, 1993, which is a wholly owned subsidiary of Shenzhen International Holdings Limited. In Sep. 2002, it changed its name as Xin Tong Chan Development (Shenzhen) Co., Ltd.. Its registered

capital is RMB 200 million.
Legal representative: Chen Chao
Business scope: Consultation of transport information, development of special-purpose software of transport flat and setting up industry.

## IV. Directors, Supervisors, Senior Executives and Staff

**i** Directors, supervisors and senior executives
(i) Basic status

| Name | Title | Sex | Age | Term office | Shares held at the year-begin | Shares held at the year-end |
|---|---|---|---|---|---|---|
| Chen Chao | Chairman of the Board | Male | 47 | 2002/5-2005/5 | - | - |
| Zeng Nan | Director, CEO | Male | 58 | 2002/5-2005/5 | 67,680 | 67,680 |
| Zhou Daozhi | Independent Director | Male | 53 | 2002/5-2005/5 | - | - |
| Long Long | Independent Director | Male | 47 | 2002/5-2005/5 | - | - |
| Yan Ganggang | Independent Director | Male | 43 | 2002/5-2005/5 | - | - |
| Li Jingqi | Director | Male | 46 | 2002/5-2005/5 | - | - |
| Ding Jiuru | Director | Male | 40 | 2002/5-2005/5 | - | - |
| Sun Chengming | Director | Male | 43 | 2002/5-2005/5 | - | - |
| Liu Jun | Director | Male | 39 | 2002/5-2005/5 | - | - |
| Jiao Zhiren | Chairman of the Supervisory Committee | Male | 56 | 2002/5-2005/5 | - | - |
| Yang Hai | Supervisor | Male | 41 | 2002/5-2005/5 | - | - |
| Yuan Dingfu | Supervisor | Male | 41 | 2002/5-2005/5 | - | - |
| Sun Jingbo | Chief Financial Supervisor | Female | 40 | 2002/5-2005/5 | 24,816 | 24,816 |

(ii) Particulars about directors, supervisors holding the post in Shareholding Company

| Name | Name of Shareholding Company | Title in Shareholding Company | Office term | Drawing the payment form the Company (Yes / No) |
|---|---|---|---|---|
| Chen Chao | Xin Tong Chan Development (Shenzhen) Co., Ltd. | Chairman of the Board | From Sep. 2000 to now | No |
| Chen Chao | Yiwan Industrial Development (Shenzhen) Co., Ltd. | Chairman of the Board | From Apr. 2000 to now | No |
| Li Jingqi | Xin Tong Chan Development (Shenzhen) Co., Ltd. | Director | From Sep. 2000 to now | No |
| Ding Jiuru | China Northern Industry Shenzhen Corporation | Chief Accountant | From Jun. 1998 to now | Yes |
| Liu Jun | Xin Tong Chan Development (Shenzhen) Co., Ltd. | Director | From Sep. 2002 to now | No |
| Liu Jun | Yiwan Industrial Development (Shenzhen) Co., Ltd. | Director | From Apr. 2000 to now | No |
| Jiao Zhiren | China Northern Industry Shenzhen Corporation | General Manager | From Jan. 2000 to now | Yes |
| Yang Hai | Yiwan Industrial Development (Shenzhen) Co., Ltd. | General Manager | From Apr. 2000 to now | Yes |

(iii) Particulars about the annual salary of directors, supervisors and senior executives

a. The Board of Directors determined the salary of the Company's senior executives, and carried out system of basis salary and floating Premium.
b. Among directors and supervisors currently holding the post, CEO Mr. Zeng Nan and supervisor Mr. Yuan Dingfu drew their salary from the Company. Following persons

received no salary from the Company: Mr. Chen Chao, Mr. Zhou Zhaozhi, Mr. Long Long, Mr. Yan Ganggang, Mr. Li Jingqi, Mr. Ding Jiuru, Mr. Sun Chengming, Mr. Liu Jun, Mr. Jiao Zhiren and Mr. Yang Hai.

c. There are 13 directors, supervisors and senior executives in office at present, 3 persons drew their salary form the Company. The total annual salsary is RMB 728,900. Of them, 1 person enjoyed RMB 400,000 to RMB 300,000, 1 person enjoyed RMB 300,000 to RMB 200,000 and 1 person enjoyed RMB 200,000 to RMB 100,000. The top three senior executive drawing the highest salary received form the Company, and the total payment is RMB 728,900.

(iv) Resignation of directors, supervisors and senior executives in the report period

a. Due to work adjustment, Mr. Jiao Zhiren, Mr. Sun Jiawen and Mr. Yang Hai, the original directors of the Company, resigned form their post as directors on 2001 Shareholders' General Meeting dated Apr. 25, 2002. Of them, Mr. Jiao Zhiren and Mr. Yang Hai were elected as Chairman of the Supervisory Committee and supervisor of new Supervisory Committee respectively.

b. Due to work adjustment, Mr. Hao Hongbo, Mr. Ming Yinglong and Mr. Jiang Hui, the original supervisors resigned form their post as supervisor on 2002 Shareholder's General Meeting dated Apr. 25,2002.

c. Due to the restriction of the legal age of retirement, Mr. Zhong Zhongliu, the original deputy general manager resigned form his post on the 4$^{th}$ meeting of 3$^{rd}$ Board of Directors dated Nov. 29,2002.

**ii** Staff

| Categories | Number of person | Proportion % |
|---|---|---|
| Production personnel | 1721 | 65 |
| Marketing personnel | 83 | 3 |
| Technical personnel | 364 | 14 |
| Financial personnel | 69 | 3 |
| Administrative personnel | 397 | 15 |
| Total | 2634 | 100 |

Ended by the report period, there were 1255 staff having schooling background of college and polytechnic school graduation or higher, taking 48 % of the total staff. There was no retired staff who was paid by the Company.

## V. Administrative Structure

**i** Company Administration

Strictly according to the PRC Company Law, the Securities Law and other relevant laws and regulations issued by China Securities Regulatory Commission, the Company consistently perfected the legal person administration structure, established modern enterprise system and standardizes the operation of the Company. Based on the requirement of normative document on administrative structure of listed companies issued by China Securities Regulatory Commission and State Economic & Trade Commission, the Company set up and consummated Articles of Association, Rules of Procedures of the Board of Directors, Work Rules of General Manager, Financing Management System of CSG, Conference System of CSG and relevant normative documents. The Company completed Self-inspection Report on Establishment of Lised Companies' Modern Enterprise System in Jun. 2002. The actuality of the Company's administrative structure is as follows:

(i) Shareholders and Shareholders' general meeting: The Company can ensure equal status and full rights of all shareholders, especially those small or medium shareholders, and keep good communication with the shareholders. The Company called and held shareholders' general meetings strictly in accordance with the criterion of Shareholders' general meeting.

(ii) Relationship between holding shareholder and listed company: The performance of principal shareholders of the Company is in conformity with rules, without intervening the decision-making or operation of the Company directly or indirectly exceeding the authority of the shareholders' general meeting. The Company has been absolutely independent in personnel, assets, finance, organization and business from its principal shareholders ever since its establishment. The Board of Directors, the Supervisory Committee and the internal organization performed their respective functions in an independent way.

(iii) Director and the Board of Directors: The Company has elected directors strictly according to procedures of election and engagement in Article of Association. The number and composition of the Board of Directors are in compliance with the requirements of relevant laws and regulations. The Board of Directors established Rules of Procedures of the Board of Directors. All directors attended the Board of Directors and the shareholders' general meeting in a positive and responsible attitude, participated in trainings actively and were familiar with relevant laws and regulations as well as rights, obligations and responsibilities of the director. The Company has engaged 3 independent directors who did not take any position other than director in the Company. All independent directors performed their duties patiently and preserved the interests of the Company and small or medium shareholders according to relevant laws, regulations and the Articles of Association. The Board of Directors of Company will establish Special Committee of the Board of Directors according to relevant regulations.

(iv) Supervisors and Supervisory Committee: The number and composition of the Supervisory Committee are in compliance with the requirements of laws and regulations. All supervisors took the responsible attitude to all shareholders, implemented their duties seriously and supervised over the financial affairs as well as the performance of the directors, managers and other senior executives in terms of the laws and regulations.

(v) Performance evaluation, encouragement and binding mechanism: The Company is actively preparing for a fair and open performance evaluation criteria and encouragement and binding mechanism for directors, supervisors and senior executives. The Company engaged the managers in an open and transparent way and in compliance with the laws and regulations.

(vi) Relevant beneficiaries: The Company has been fully respecting and safeguarding the legal rights and interests of the banks and other creditors, staff and other parties of related interests, so to jointly develop the Company in a consistent and healthy ways.

(vii) Information disclosure and transparency: The Company has authorized the secretary of the Board of Directors to take charge of disclosing information, receiving the visit and inquiry of the shareholders. The Company has been disclosing the relevant information in a real, accurate, complete and timely way strictly according to the laws, regulations and the Articles of Association, ensured all the shareholders to have equal opportunity to obtain the information. The Company timely disclosed the detail information concerning the large shareholders or the actual controllers of the Company and the changes of share capital.

**ii** Performance of independent directors

The Company engaged Mr. Zhou Daozhi, Mr. Long Long, Mr. Yan Ganggang as independent directors one after another so that the Company totally has 3 independent directors. All independent directors implemented the responsibility according to relevant laws and regulations, put forward independent opinion on important affairs of the Company and safeguarded the interests of the Company and small or medium shareholders since they took their positions.

**iii** Separation between the Company and its principal shareholders in terms of personnel, assets, financial, organization and business

The Company has been absolutely independent in personnel, assets, finance, organization and business from its holding shareholders ever since its establishment.

(i) In terms of personnel: The Company is absolutely independent in the management of labor, personnel and salaries. General manager, deputy general managers and other senior executives get their pay from the Company and have not received any remuneration from the holding shareholders or held any title therein.

(ii) In terms of assets: The Company possesses independent production system, auxiliary production system and complementary facilities. The intangible assets, such as industrial property rights, trade mark, non-patent technologies, etc. solely belong to the Company. The Company has independent purchase and sales system.

(iii) In terms of finance: The Company has independent financial department and has established independent accounting calculation system and financial management system. The Company has independent bank accounts. The Company has paid taxes independently according to the laws.

(iv) In terms of organization: The Company has been totally independent from its holding shareholders in production, operation and administration. The Company has its own office and production sites different from those of the holding shareholders. There is no such situation of operating and working together with the holding shareholders.

(v)In terms of business: The Company is engaged in production and operation of raw sheet of high-grade float glass, architectural glass, delicacy glass, automotive glass, new-typed electronic components, structure ceramic materials and etc. There is no competition in business between the Company and the principal shareholders. The Company has owned independent purchase and supply system of the raw resources, complete production systems, independent salesmen and customers. The Company has been completely independent from the principal shareholders in Business. The Company has established its own R & D institution to ensure the innovation and advantage of the technology

**iv** Evaluation and encouragement mechanism of senior executives in the report year

The Company set up evaluation system of aim and responsibility, through which evaluate and encourage the senior executives. At the end of operation year, the Board of directors evaluated synthetically the senior executive according to the implementation of the Company's operation aim and series indexes.

## VI. Brief Introduction to Shareholder's General Meeting

The Company held one Shareholders' General Meeting in the report period.

According to the Resolutions of the 15$^{th}$ meeting of the 2$^{nd}$ Board of Directors, the Company published the public notice of 2001 Annual Shareholders' General Meeting on Securities Time, China Securities and Ta Kung Pao dated Apr.25, 2002. 2001 Annual Shareholders' General Meeting was held in 7/F conference room of CSG Technology Bldg., Shekou, Shenzhen, in the morning on May 31, 2002. Shareholders, shareholder's proxies attending the meeting and representing shares were in conformity with the PRC Company Law and the Articles of

Association of the Company. Through witness of lawyer Huang SiZhou in Shenzhen International Economic Law Firm and Xu Mo, the greffier in Shenzhen Notary Office who issued law opinion and notarization document, the meeting was legal and effective. The following resolutions were approved by registered voting in the meeting:

a. 2001 Work Report of Board of Directors of CSG
b. 2001 Work Report of Supervisory Committee of CSG
c. 2001 Annual Report and Summary of CSG
d. 2001 Profit Distribution Proposal of CSG

2001 profit distribution proposal of CSG is: allot RMB 1.3 (including tax) in cash every 10 shares to all the shareholders basis of total share capital of 676,975,416 shares at the end of 2001.

e. Proposal on Amendment of Article of Association
f. Proposal on Election at Expiration of Office Terms of the Board of Directors

Because of expiration of the 2nd Board of Directors, the meeting elected the directors of the 3rd Board of Directors according to Article of Association. The directors elected are 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.

g. Proposal on Election at Expiration of Office Terms of the Supervisory Committee

Because of expiration of the 2nd Supervisory Committee, the meeting elected the supervisors of the 3rd Supervisory Committee according to Article of Association. The supervisors elected are Mr. Jiao Zhiren, Mr. Yang Hai, Mr. Yuan Dingfu.

h. Proposal on Engagement of Law Consultant for the year 2002
i. Proposal on Engagement of Audit Organization.

The resolutions of the Shareholder's General Meeting were published on Securities Time, China Securities and Ta Kung Pao dated June 1, 2002.

## VII. Report of the Board of Directors

**i** Discussion and analysis of the operation

Although the economy of China still kept a strong growth in 2002, the glass industry of China saw a hard year. Along with the China's joint into WTO, the market was more open and there were increasingly diversified investors, which led to the more intensified competition of market. Simultaneously, since the world economy continued to be depressed, relevant countries adopted the measure of "Anti-dumping Investigation" etc. to protect its native enterprises and market in succession, which stroke the product export of inland enterprises a lot. Under such austere situation, the Management of the Company, led and supported by the Board of Directors and the Supervisory Committee, considered the situation, insisted on operation policy of developing high-tech product and making excellent product, strengthened management, operated subtly. All these work made advancement of the product's quality and rate of finished-product, made a great descending of product's cost and administrative expenses, got favorable benefit under the stagnant background and fully realized the production and operation objectives of 2002 and completed the investment and construction tasks.

**ii** Business operation in the report period

(i) Main business scope and the operation

The industry type of the Company falls into the category of nonmetal mineral products industry (C61). Main business scope: R& D, production and operation raw sheet of high-grade float glass, architectural glass, delicacy glass, automotive glass, new-typed electronic components and structure ceramic materials, design and installation of the works of glass curtain wall, investment and holding shares.

Business segments (Unit: RMB'000)

| Industry | Income |
|---|---|
| Glass products | 960,745 |
| Ceramics products | 44,398 |
| properties | 42,688 |
| Total | 1,047,831 |

Business segment information is not presented as the sales of glass products accounted for more than 90% of the consolidated revenue and results of the Company.

The Company's activities are conducted predominantly in the PRC, the presentation of geographical segment is considered to be not meaningful.

(ii) Particulars about the wholly owned and jointly controlled subsidiaries

Please refer to Note 29 of the Auditors' Report.

(iii) Major suppliers and customers

In the report period, the total calculated purchase amount of the top five suppliers of the Company accounted for 27.39% of the total amount of annual purchase, the total calculated sales income of the top five customers of the Company accounted for 12.58% of the total amount of annual sales.

(iv) Problems and difficulties occurred in operation and solutions

In the report period, the problems and difficulties occurred in the operation of CSG was the decrease of sales price of the major industrial products and the still not ideal sales of the real estate invested in the previous years.

a. The Company's operational environment was quite hard in 2002. Although in terms of sales volume, the major industrial products except for ceramic grinding shell all increased in certain extent compared with the previous year, especially the growth trend of the architectural glass was strong. In terms of price, most of sales price of major industrial products was in the trend of decrease and some products even get the condition that increase of sales volume while decrease of sales income compared with the previous year. Especially the price of inductance magnetic pearl decreased by almost 1/3. In order to deal with the unfavorable influence resulted from the decrease of price by a big margin, the Company adopted many measures to reduce the production cost so as to ensure the growth of sales gross profit of products. The Company attached importance on the aspects of cost controlling, personnel organizing, post quantifying, controlling finished-product rate, controlling malfunction rate of equipments and unit consumption cost and achieved obvious results.
b. In 2002, the Company enhanced the operation and planning of real estate with the objectives mainly focused on the sales of building and recovery of the funds. In terms of cash flow, the Real Estate Company recovered cash RMB 35.07 million an increase of RMB 9.09 million compared with the previous year.

**iii** Investment

(i) In the report period, the Company did not raise any fund through share offering or used any fund raised through previous share offering till the report period.

(ii) Investment of the funds not raised through share offering in 2002

a. The third ITO coating production line has been put into the commercial operation.
b. The refined coating glass production line was successfully ignited on Sep. 16, 2002 as scheduled, and come into the stage of production.
c. The company incorporated Tianjin CSG Architectural Glass Co., Ltd.. The planned investment of this company was about RMB 400 million and the registered capital amounted to RMB138 million. The Company invested RMB 84,180,000, which took 61% of the registered capital. This company is mainly engaged in production of architectural

glass represented by Low-E glass, a kind of high-tech environmental protection and energy-saving materials. This kind of product's development was greatly encouraged. At present, this company has complete the design, bidding and equipment purchase of the fundamental engineer and enters into the construction phase of fundamental engineer, which is estimated to be put into production in Oct. 2003.

**iv** Financial status (Unit: In RMB '000)

| Item | 2002 | 2001 | Increase/ Decrease% | Reason |
|---|---|---|---|---|
| Total assets | 2,978,128 | 2,687,912 | 10.80 | Financing for construction. |
| Shareholder's equity | 2,011,116 | 1,936,768 | 3.84 | Preserve profit. |
| Gross profit | 394,317 | 364,341 | 8.23 | Decrease of product's cost and increase of sales quantity. |
| Net profit | 162,802 | 153,207 | 6.26 | Decrease of product's cost and increase of sales quantity. |
| Net decrease in cash and cash equivalents | (2,304) | (16,321) | 85.89 | Increase of amount finacing. |

**v** Impact of changes in macro-policies
In the report period, the environment of production and operation, macro-policies and regulations remained relatively stable.

**vi** Pricewaterhouse Coopers Zhong Tian CPAs Co., Ltd and Pricewaterhouse Coopers CAPs provided 2002 standard Auditor's Report without reserved opinion.

**vii** Business development plan as of 2003
It is estimated that the market competition will be more incandescent in the Chinese market of glass and the task will be more hard under the double pressure of further increase of energy production inside the country and continuous in burst of foreign products. The Board of directors and the Management of the Company has confidence to lead all CSG people to carry forward the enterprise spirit of " Reality pursuing, Innovation, Solidification and High efficiency", fully completed the work task of 2003 and achieved good operating results.
(i) To earnestly summarize and solidify the successful experience of management of the previous year and to further deepen the management, especially to strengthen the budget management. Make obvious encouragement and punishment. Change the management into benefit.
(ii) The operating concept is to on the upgrade with the times and in terms of the thought and the action, the Company will try hard to meet the trend of the market change. Innovation is encouraged.
(iii) To enhance the speed of growth of principal business and to expand the operating scale quickly.
(iv) To further strengthen the concept of refined products and to insist on high-tech product way unhesitatingly. In this year the Company shall enhance the innovation of technology and the development of new products and strengthen the construction of R&D team and the cultivation of technical cadre men so as to provide the development space of "Double Orbits System" and special encouragement of technology innovation for engineering technicians.
(v) To really manage the projects of new construction and renewal construction well in order to ensure that the investment projects will be completed and be put into production with good quality on time and ensure the continuous increase of core competitiveness.
(vi) To continuously settle the problems leaved behind history, to increase the disposal of deposit assets of real estate and to speed up the recovery of the capital.

**viii** Routine work of the Board of Directors

(i) Meetings and Resolutions of the Board of Directors

In the report period, the 2nd & 3rd Board of Directors held six meetings.

- ✧ The 14th meeting of the 2nd Board of Directors was held in the Centre of Minghua, Shekou on Jun. 25, 2002 The meeting discussed and adopted the Company and Shenzhen Southern Star Glass Processing Co., Ltd. (now called Shenzhen CSG Southern Star Glass Processing Co., Ltd.), a wholly owned subsidiary of the Company, to purchase 25% shares of Shenzhen Hong Da Mirrors Ltd. held by Weishi (Hong Kong) Industry Co., Ltd.
- ✧ The 15th meeting of the 2nd Board of Directors was held on the morning of April 25, 2002 in the conference room in 8/F, CSG Technology Building, Shekou, Shenzhen. The following was discussed and approved in the Meeting:

a. 2001 Work Report of the Board of Directors of CSG

b. 2001 Annual Report and its Summary of CSG

c. 2001 Financial Settlement Report of CSG

d. 2001 Profit Distribution Preplan of CSG

e. 2002 Profit Distribution Policy of CSG

f. Proposal on Revision of Articles of Association

g. Proposal on Renewal Election of the Board of Directors of CSG

h. Proposal on Engagement of 2002 Counselor

i. Proposal on Engagement of 2002 Auditor

j. Proposal on investment and Establishment of Tianjin CSG Architectural Glass Co., Ltd.

k. Issues on Holding 2001 Shareholders' General Meeting of CSG

l. The 1st Quarter Report of 2002 of SG Group

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated April 27, 2002.

- ✧ The 1st meeting of the 3rd Board of Directors was held in the conference room in 7/F, CSG Technology Building, Shekou, Shenzhen on May 31, 2002. Mr. Chen Chao was elected as Chairman of the Board of Directors of CSG in the Meeting, Mr. Zeng Nan was elected as President of CSG, Ms. Sun Jingbo was elected as Chief Financial Supervisor of CSG and Mr. Wu Guobin was elected as Secretary of the Board of Directors of CSG. The resolution of this Board Meeting was published on Securities Times, China Securities and Ta Kung Pao dated on June 1, 2002.
- ✧ The 2nd meeting of the 3rd Board Directors was held in the auditorium in Longquan International Hotel, Humen, Guangdong on Aug. 1, 2002. The following resolutions were discussed and approved in the Meeting:

a. Work Summary of 1st Half of 2002 and Work Plan of 2nd Half of the Year of CSG

b. 2002 Semi-annual Report and its Summary of 2002 of CSG

c. 2002 Semi-annual Profit Distribution Preplan of CSG

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated Aug. 3, 2002.

- ✧ The 3rd meeting of the 3rd Board of Directors was held in the conference room in 7/F, CSG Building, Shekou, Shenzhen on Oct. 18, 2002. The 3rd Quarter Report of 2002 of CSG was examined and approved in the Meeting. The resolution of this Board Meeting was published on Securities Times, China Securities and Ta Kung Pao dated Oct. 19, 2002.
- ✧ The 4th meeting of the 3rd Board of Directors was held in Parkview Hoetal, Dongguan, Guangdong on Nov. 19, 2002. The following resolutions were discussed and approved in the meeting:

a. Research Report of Feasibility of Colored Filter of Enterprise Department of Refined Glass of CSG.

b. Proposal on Composition of Operation Team and Personnel Adjustment of CSG.

The aforesaid resolutions were published on Securities Times, China Securities and Ta Kung Pao dated on Dec. 3, 2002.

(ii) Implementation of the resolutions of the shareholders' general meeting by the Board of Directors

2001 Shareholders' General Meeting approved 2001 Profit Distribution Plan: based on the total share capital of 676,975,416 shares at the end of 2001, cash dividends were distributed to all shareholders at the rate of cash RMB1.3 (tax included) for every 10 shares. The Company implemented the cash distribution in June 2002.

**ix** Profit distribution preplan

(i) Profit distribution preplan for the year 2002

As audited by Pricewaterhouse Coopers Zhong Tian CPAs Co., Ltd., the net profit of the Company was RMB 163,311,160. The Board of Directors proposed to make profit distribution as follows: 10% of the net profit is to be withdrew as statutory common reserve fund amounting to RMB 16,331,116 and 5% of the net profit is to be withdrew as Statutory public welfare fund amounting to RMB 8,165,558. In addition to RMB 57,517,060 undistributed profit carried down from the previous year, profit attributable for shareholders amounted to RMB 196,331,546. Based on the total share capital of 676,975,416 shares at the end of year 2002, the dividends would be distributed to the whole shareholders in cash at the rate of RMB 1.50 for every 10 shares (including tax).

The aforesaid profit distribution preplan shall be implemented subject to the examination and approval by 2002 Shareholders' General Meeting.

(ii) Estimated profit distribution policy as of 2003

a. Distribution plan: the Company shall implement profit distribution in the year 2003 once.
b. Distribution proportion: the proportion of net profit realized in 2003 used in dividend distribution shall be 20%-50% and the proportion of undistributed profit of the Company at the end of 2002 used in the dividend distribution of 2003 shall be 10%-50%.
c. Distribution form: mainly in form of cash.
d. Explanation: The Board of Directors shall submit the aforesaid profit distribution policy of 2003 to Shareholders' General Meeting for examination by means of distribution preplan. After approval by the Meeting, the policy just can be implemented formally and the Board of Directors reserves the right of adjustment according to the condition of development and profitability of the Company.

**x** Other events

Securities Times, China Securities Journal and Ta Kung Pao were the publications chosen by the Company for disclosing the information in the year 2002.

## VIII. Report of the Supervisory Committee

**i** Particulars about work of the Supervisory Committee

In 2002, the Supervisory Committee held altogether 6 meetings

- ✧ The 12th meeting of the 2nd Supervisory Committee was held in the Centre of Minghua, Shekou on Jun. 25, 2002. The meeting discussed and adopted to purchase 25% shares of Shenzhen Hong Da Mirrors Ltd.
- ✧ The 13th meeting of the 2nd Supervisory Committee was held at the 8/F meeting room of CSG Technology Building on Apr. 25. 2002. All supervisors attended the meeting. The meeting approved the following resolutions:

a. 2001 Work Report of the Supervisory Committee of CSG
b. 2001 Annual Report and Summary of CSG

c. 2001 Financial Settlement Report of CSG
d. Proposal on Election at Expiration of Office Terms of the Supervisory Committee
e. The 1st Quarter Report of CSG For the Year 2002
The resolutions of the Supervisory Committee's Meeting were published on Securities Time, China Securities and Ta Kung Pao dated Apr.27, 2002.
The 1st meeting of the 3rd Supervisory Committee was held at the 7/F meeting room of CSG Technology Building on May 31, 2002. The meeting elected Mr. Jiao Zhiren as Chairman of the Supervisory Committee. The resolution of the Supervisory Committee's Meeting was published on Securities Time, China Securities and Ta Kung Pao dated June 1, 2002.

✧ The 2nd meeting of the 3rd Supervisory Committee was held on Aug.1, 2002 at the conference room in Longquan International Hotel, Humen, Guangdong. The meeting discussed and approved the following resolution:

a. Work Summary of the Former Half Year and Work Plan of the Latter Half Year in 2002 of CSG
b. 2002 Semi Annual Report and Summary of CSG
c. Proposal on 2002 Semi Annual Profit Distribution of CSG
The resolution of the Supervisory Committee's Meeting was published on Securities Times, China Securities and Ta Kung Pao on Aug. 3, 2002.

✧ The 3rd meeting of the 3rd Supervisory Committee was held at the 7/F meeting room of CSG Building on Oct.18, 2002. The meeting examined and approved the Third Quarter In 2002 of CSG. The resolution of the Supervisory Committee's Meeting was published on Securities Times, China Securities and Ta Kung Pao on Oct. 19, 2002.
✧ The 4th meeting of the 3rd Board of Directors was held in Parkview Hoetal, Dongguan, Guangdong on Nov. 19, 2002. The meeting examined and approved the Research Report of Feasibility of Colored Filter of Enterprise Department of Refined Glass of CSG. The resolutions were published on Securities Times, China Securities and Ta Kung Pao dated on Dec. 3, 2002.

**ii** Independent Opinion of the Supervisory Committee
In 2002, the Supervisory Committee attended the the Shareholders' General Meeting, the Board of Directors and operation and management meetings, grasped the operation and financial situation of the Company, and supervised effectively over the Company, the directors and senior executives. The details are as follows:
(i) Operation according to the Laws
In 2002, in opinion of the Supervisory Committee of the Company, the Board of Directors seriously implemented patiently the resolutions of the Shareholders' General Meeting, strictly according to the laws, regulations and the Articles of Association and performed its duties in the scope of Article of Association and the procedure of decision-making was legal. The Company has a complete internal control system and normative operation. The directors of the Company and senior executives had neither violated the national laws, regulations and the Articles of Association nor damaged the Company's interests when they implemented their duties.
(ii) Financial Inspection
In 2002, the Supervisory Committee inspected patiently and meticulously the financing situation and operation result of the Company and considered that that the auditor's report was true and credible issued by Pricewaterhouse Coopers Zhong Tian CPAs Co., Ltd. and Pricewaterhouse Coopers CPAs. The Company's financial report and auditors' opinion reflected truly the financial situation and operation achievements of the Company.
(iii) In the report period, there was no capital raised.
(iv) In the report period, the Company's purchase and sale of the assets had been conducted in a fair and reasonable way and there was no internal transaction or behavior harmful to the

shareholders' right or interest.
(v) In the report period, there was no significant related transaction.

## IX. Significant Events

**i** Significant Lawsuits and Arbitration
(i) 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 judgment 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 judgment of Hainan Provincial Interim and High People's Court and demanding retrial at Hainan Provincial High People's Court. The case is still in the process of inquisition.
(ii) At the beginning of 2002, America Commercial Department increased 9.84% anti-dumping tax to Shenzhen Benxun Automotive Glass Co., Ltd. (now called Shenzhen CSG Automotive Glass Co., Ltd. and hereinafter referred to as Benxun Company), the wholly owned subsidiary of the Company, for the automotive windshields sold in American to used in repairing. Canadian International Trade Tribunal judged on Aug. 30, 2002 that Benxun Company produced and sold automotive windshields existed no dumping actions, and the anti-dumping weighted average of tax is 0%. The recovering of the anti-dumping case had an active influence on the export of the products of Buxun Company.
(iii) The case which Shenzhen Nanhong Electronic Ceramics Company Limited (now called Shenzhen CSG Electronic Co., Ltd. and hereinafter referred to as Nanhong Company), a wholly owned subsidiary of the Company, charged Shenzhen Microgate Technology Co., Ltd. and its senior executives with encroaching on the commercial secret was interceded by Intellectual Property Dept. of Shenzhen Intermediate People's Court on Jul. 31, 2002. The accuser and the appellee became reconciled. The appellee admitted that it ever performed improper operation behavior to the accuser and used improperly the accuser's technology in the process of operation. The appellee apologized to the accuser for the behavior and will compensate the economic loss of RMB 3 million to Nanhong Company.

**ii** In the report period, the Company conducted neither sales and purchase of assets nor consolidation and merge.

**iii** In the report period, there was no significant related transactions of the Company.

**iv** Material contracts and the implementation
(i) In the report period, neither the Company trusted, contracted and leased other Company's assets nor its assets were trusted, contracted and leased by other companies.
(ii) Material guarantees:
In the report period, the Company had never offered guarantee to any companies other than the Company's subsidiaries. The guarantees offered to the subsidiaries are as follows:

| Company | Amount (In 0'000) | | |
|---|---|---|---|
| | USD | RMB | EUR |
| Shenzhen CSG Wellight Coating Co., Ltd. | 100 | 1,000 | - |
| Shenzhen Southern Float Glass Co., Ltd. | 1,600 | 15,100 | 120 |
| Shenzhen CSG Automotive Glass Co., Ltd. | 670 | - | - |
| Shenzhen CSG Architectural Glass Co., Ltd. | 65 | 1,000 | - |
| Tianjin Southern Glass Industrial Development Co., Ltd. | - | 550 | - |
| Total | 2,435 | 17,650 | 120 |

(iii) In the report period, the Company did not entrust others to manage cash assets. Also, there was no plan of finance entrustment at the end of year 2002.

**vi** Shareholders holding over 5% shares of the Company made no commitment on the designated newspaper or web site in the report period. The profit distribution policy for 2002 was disclosed in 2001 annual report of the Company. The details is as follows: 20%~ 50% of the net profit to be realized in the year 2002 shall be used for profit distribution; 50% of the undistributed profit at the end of 2001 shall be used for profit distribution in the year 2002. Actual distribution proportion for 2002 proposed by the Board of Directors exceeded the expected proportion.

**vi** In the report period, because the business in Hong Kong and mainland of Arthur Andersen & Co. and Arthur Andersen . Hua Qiang Certified Public Accountants were merged into Pricewaterhouse Coopers, the Board of Directors decided to engage Pricewaterhouse Coopers as the audit organization of A share and B share of the Company for the year 2002. The decision was approved in 2001 Annual Shareholder's General Meeting held on May 31, 2002. In 2002, remuneration paid to the audit organizations of A share and B share were RMB 900,000 and RMB 480,000 respectively (including travel expenses).

**viii** The Company, the Board of Directors and its directors had never been checked and given administrative punishment or circular notices of criticism by the China Securities Regulatory Commission nor been condemned publicly by the Stock Exchange in the report period.

## X. Financial Reports

Attached hereafter.

## XI. Documents for Reference

**i** Original of Annual Report with the signature of Chairman of the Board and CEO.
**ii** Financial statement with the signature and seal of the legal representative, the chief financing supervisor and the person in charge of accounting.
**iii** Original of Auditors' Report with the seal of Pricewaterhouse Coopers Zhong Tian CPAs Co., Ltd., the signature and seal of the certified public accountants.
**iv** Original of Auditors' Report from the Pricewaterhouse Coopers CPAs.
**vi** Original of documents and Public Notices of the Company disclosed on the newspapers designated by China Securities Regulatory Commission in the report period.

**Board of Directors of**
**CSG Technology Holding Co., Ltd.**
**April 2, 2003**

## REPORT OF THE INTERNATIONAL AUDITORS

**TO THE SHAREHOLDERS OF CSG TECHNOLOGY HOLDING CO., LTD.**
*(incorporated in the People's Republic of China with limited liability)*

We have audited the accompanying consolidated balance sheet of CSG Technology Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of 31 December 2002 and the related consolidated income and cash flow statements for the year then ended. These consolidated financial statements set out on pages 2 to 33 are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2002 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 2 April 2003

**CSG TECHNOLOGY HOLDING CO., LTD.**

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

| | Notes | 2002 RMB'000 | 2001 RMB'000 |
|---|---|---|---|
| Sales | 4 | 1,047,831 | 1,016,561 |
| Cost of sales | | (653,514) | (652,220) |
| **Gross profit** | | 394,317 | 364,341 |
| Other operating income | 4 | 26,031 | 16,461 |
| Distribution costs | | (90,141) | (72,769) |
| Administrative expenses | | (112,167) | (117,141) |
| Other operating expenses | | (6,183) | (4,077) |
| **Profit from operations** | 5 | 211,857 | 186,815 |
| Finance costs, net | 6 | (17,578) | (28,372) |
| **Profit before tax** | | 194,279 | 158,443 |
| Income tax expense | 8 | (17,772) | (4,265) |
| **Profit after tax** | | 176,507 | 154,178 |
| Minority interests | 27 | (13,705) | (971) |
| **Net profit** | | 162,802 | 153,207 |
| **Earnings per share** | 9 | RMB 0.24 | RMB 0.23 |

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

**CSG TECHNOLOGY HOLDING CO., LTD.**

**CONSOLIDATED BALANCE SHEET**
**AS OF 31 DECEMBER 2002**

| | Notes | 2002<br>RMB'000 | 2001<br>RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 1,692,554 | 1,652,667 |
| Construction-in-progress | 12 | 454,615 | 169,755 |
| Land use rights | 13 | 89,243 | 86,424 |
| Intangible assets | 14 | (7,089) | (6,637) |
| Available-for-sale investments | 15 | 8,663 | 9,118 |
| Deferred tax assets | 23 | 446 | 5,033 |
| | | 2,238,432 | 1,916,360 |
| **Current assets** | | | |
| Inventories | 16 | 93,819 | 87,978 |
| Properties held for sale | 17 | 246,972 | 279,333 |
| Trade receivables | 18 | 172,000 | 156,921 |
| Other receivables and prepayments | | 38,827 | 46,564 |
| Cash and cash equivalents | 19 | 188,078 | 200,756 |
| | | 739,696 | 771,552 |
| **Total assets** | | 2,978,128 | 2,687,912 |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 24 | 676,975 | 676,975 |
| Reserves | 25 | 1,145,502 | 1,121,452 |
| Retained earnings | 26 | 188,639 | 138,341 |
| | | 2,011,116 | 1,936,768 |
| **Minority interests** | 27 | 76,035 | 34,066 |
| **Non-current liabilities** | | | |
| Borrowings | 22 | 50,000 | - |
| **Current liabilities** | | | |
| Trade and other payables | 20 | 273,473 | 311,097 |
| Current tax liabilities | 21 | 7,770 | 4,218 |
| Borrowings | 22 | 559,734 | 401,763 |
| | | 840,977 | 717,078 |
| **Total equity and liabilities** | | 2,978,128 | 2,687,912 |

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

## CSG TECHNOLOGY HOLDING CO., LTD.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

| | Notes | Share capital RMB'000 | Capital reserve RMB'000 | Statutory common reserve fund RMB'000 | Statutory public welfare fund RMB'000 | Exchange reserve RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2001 | 31 | 676,975 | 927,897 | 105,548 | 71,562 | 1,158 | 81,753 | 1,864,893 |
| Dividend relating to 2000 | | - | - | - | - | - | (81,237) | (81,237) |
| Currency translation differences | | - | - | - | - | (95) | - | (95) |
| Net profit for the year | | - | - | - | - | - | 153,207 | 153,207 |
| Inter-transfer of reserve funds | | - | - | (4,875) | (2,437) | - | 7,312 | - |
| Appropriation to reserve funds | 25 | - | - | 15,130 | 7,564 | - | (22,694) | - |
| Balance at 31 December 2001 and 1 January 2002 | | 676,975 | 927,897 | 115,803 | 76,689 | 1,063 | 138,341 | 1,936,768 |
| Dividend relating to 2001 | 10 | - | - | - | - | - | (88,007) | (88,007) |
| Currency translation differences | | - | - | - | - | (447) | - | (447) |
| Net profit for the year | | - | - | - | - | - | 162,802 | 162,802 |
| Appropriation to reserve funds | 25 | - | - | 16,331 | 8,166 | - | (24,497) | - |
| Balance at 31 December 2002 | | 676,975 | 927,897 | 132,134 | 84,855 | 616 | 188,639 | 2,011,116 |

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

**CSG TECHNOLOGY HOLDING CO., LTD.**

**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

| | Notes | 2002 RMB'000 | 2001 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 28 | 317,815 | 341,307 |
| Interest paid | | (24,312) | (30,467) |
| Income tax paid | | (9,138) | (4,835) |
| Net cash from operating activities | | 284,365 | 306,005 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (467,208) | (191,038) |
| Purchase of land use rights | | (6,206) | - |
| Purchase of intangible assets | | (641) | (4,808) |
| Purchase of interests in subsidiaries from minority shareholders | | (3,880) | (14,980) |
| Proceeds from sale of property, plant and equipment | | 27,000 | - |
| Interest received | | 1,534 | 2,807 |
| Net cash used in investing activities | | (449,401) | (208,019) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 1,324,688 | 217,133 |
| Repayments of borrowings | | (1,116,717) | (276,920) |
| Repayment of other long-term liabilities | | - | (164) |
| Dividends paid to group shareholders | | (91,050) | (81,237) |
| Dividends paid to minority interests | | (836) | (5,612) |
| Capital contributed by minority shareholders of subsidiaries | | 36,221 | 9,311 |
| Pledged bank deposits withdrawn | | 10,374 | 23,267 |
| Net cash generated from (used in) financing activities | | 162,680 | (114,222) |
| Effect of exchange rate changes | | 52 | (95) |
| **Net decrease in cash and cash equivalents** | | (2,304) | (16,331) |
| Cash and cash equivalents at beginning of year | | 182,169 | 198,500 |
| **Cash and cash equivalents at end of year** | 19 | 179,865 | 182,169 |

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

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

## 1. General information

CSG Technology Holding Co., Ltd. (the "Company") was incorporated in 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 in 1991.

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

The Company and its subsidiaries (the "Group") are principally engaged in the manufacture and sales of glass and ceramics products and property development. The business activities of its subsidiaries are shown in Note 29.

The registered address of the Company is as follows:
CSG Building,
No. 1 of the 6th Industrial Road, Shekou,
Shenzhen, the PRC.

## 2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

### A Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which includes International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention. This basis of accounting differs from that used in the accounts of the Company and its main subsidiaries (the "PRC Accounts") 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 generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**2. Accounting policies (Continued)**

**B Group accounting**

(1) Subsidiaries

Subsidiaries, which are those entities (including Special Purpose Entities) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**2. Accounting policies (Continued)**

**C Foreign currency translation**

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the measurement currency of the Company.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the revaluation reserve in equity.

(3) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 December. Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign entity is sold, such exchange difference is recognised in the consolidated income statement as part of the gain or loss on sale.

**D Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, if any.

Depreciation is calculated on the straight-line method to write off the cost amount of each asset to their residual values over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 20 - 35 years |
| Machinery and equipment | 10 - 20 years |
| Vehicles and others | 8 - 10 years |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**2. Accounting policies (Continued)**

**D Property, plant and equipment (Continued)**

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

**E 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.

**F Land use rights**

Land use rights are stated at cost less accumulated amortisation. Land use rights are amortised over their lease terms using the straight-line method.

**G Intangible assets**

i. Computer 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 and will probably generate economic benefits exceeding cost beyond one year. Software is amortised on a straight-line basis over a period of 10 years.

ii. Patents and licenses

Expenditure to acquire patents and licenses is capitalised and amortised on a straight-line basis over the expected useful lives of not more than 15 years.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**2. Accounting policies (Continued)**

**G Intangible assets (Continued)**

iii. Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary/associate at the date of acquisition over the cost of an acquisition. Negative goodwill is recognised in the consolidated income statement as follows:

(a) 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.

(b) 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.

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

Negative goodwill is presented as a deduction from intangible assets. Amortisation of negative goodwill is offset against administrative expenses in the consolidated income statement.

**H Impairment of long lived assets**

Property, plant and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 2. Accounting policies (Continued)

### I Investments

The Group classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets; for the purpose of these financial statements short term is defined as three months; during the year the Group did not hold any investments in this category. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets; during the year the Group did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the income statement in the period in which they arise.

The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sales are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

### J Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.  Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet.  They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 2. Accounting policies (Continued)

### K Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

### L Properties held for sale

Properties held for sale are stated at the lower of cost or net realisable value. Cost of properties held 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 costs of construction and the related marketing expenses.

### M Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

### N Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at cost. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdraft.

### O Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings.

### P Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 2. Accounting policies (Continued)

### Q Employee benefits

(1) Pension schemes

The Group participates in certain defined contribution retirement schemes organised by the respective municipal governments where the Group operates. The Group has no obligation beyond the contribution which are calculated based on certain percentage of standard salary set by the provincial government. The Group's contribution to the defined contribution retirement schemes are charged to the consolidated income statement when incurred.

(2) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the consolidated financial statements; or

- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the consolidated financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### R Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### S Revenue recognition

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

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**2. Accounting policies (Continued)**

**S Revenue recognition (Continued)**

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

Rental income is recognised in accordance with Note 2(J) above.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Subsidies income is recognised in accordance with Note 2(T).

**T Government subsidies**

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

**U Dividends**

Dividends are recorded in the Group's consolidated financial statements in the period in which they are approved by the Group's shareholders.

**V Segment reporting**

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

**W Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**X Financial assets and liabilities**

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, investments, trade receivables, other receivables and prepayments, trade and other payables and borrowings. Investments, trade receivables and borrowings are stated at carrying amounts determined in accordance with Notes 2(I), 2(M) and 2(O) respectively. Other financial assets and financial liabilities are stated at cost.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 3. Financial risk management

A Credit risk

The carrying amount of cash and cash equivalents and trade receivables represented the Group's maximum exposure to credit risk in relation to these financial assets.

Cash is placed with reputable banks in the PRC. Majority of the Group's trade receivables relate to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables. The Group maintains a provision for doubtful debts and actual losses have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

B Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in Renminbi, which is not freely convertible into foreign currencies.

C Interest rate risk

The Group has no significant interest-bearing assets but borrowed substantial amount of short-term loans from banks at fixed rates. The interest rates of short-term loans of the Group are disclosed in Note 22.

D Fair values

The carrying amounts of the following financial assets and liabilities approximate to their fair values: bank balances and cash, investments, trade receivables and payables, other receivables and payables, short-term borrowings and long-term borrowings. Information on the fair values of borrowings is included in Note 22.

Fair value estimates are made at a specific point in time and are based on relevant market information. These estimates are subjective in nature and involved uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in valuation methods and assumptions could significantly affect the estimates.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 4. Sales and other operating income

(a) Sales, as disclosed net of applicable business tax and value-added tax, comprise:

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Sales of glass products | 960,745 | 936,178 |
| Sales of ceramics products | 44,398 | 56,244 |
| Sales of properties | 42,688 | 24,139 |
| | 1,047,831 | 1,016,561 |

Business segment information is not presented as the sales of glass products accounted for more than 90% (2001: more than 90%) of the consolidated revenue and results of the Group.

The Group's activities are conducted predominantly in the PRC, the presentation of geographical segment is considered to be not meaningful.

(b) Other operating income

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Rental income from leasing of properties held for sale (Note 17) | 7,354 | 4,863 |
| Rental income from leasing of properties | 1,010 | 1,990 |
| Value-added tax exemption on local production and local sales | 3,798 | 2,578 |
| Gain on disposals of property, plant and equipment | 4,084 | - |
| Claim of losses | 3,489 | 2,586 |
| Gain on disposals of raw materials | 1,186 | 568 |
| Others | 5,110 | 3,876 |
| | 26,031 | 16,461 |

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 5. Profit from operations

The following items have been included in arriving at profit from operations:

| | **2002** RMB'000 | **2001** RMB'000 |
|---|---|---|
| Inventories cost (included in cost of sales) | 653,514 | 652,220 |
| Depreciation on property, plant and equipment | 105,767 | 103,026 |
| Impairment of property, plant and equipment * | 1,978 | 4,801 |
| (Profit)/Loss on disposals of property, plant and equipment * | (4,084) | 5,941 |
| Amortisation of land use rights # | 3,387 | 3,511 |
| Amortisation of intangible assets # | | |
| - negative goodwill | (1,424) | (1,371) |
| - other intangible assets | 601 | 592 |
| Write-off of negative goodwill # | (1,447) | - |
| Provision for doubtful accounts # | 515 | 1,592 |
| (Write back of provision)/Provision for obsolescence of inventories # | (122) | 2,055 |
| Impairment charge/(Write back of impairment charge) for available-for-sale investments * | 455 | (644) |
| Write-back of net realisable value provision for properties held for sale # | 6,710 | 18,898 |
| Staff costs (Note 7) | 104,839 | 84,603 |

* included in other operating income or expenses.
# included in administrative expenses.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**6. Finance costs, net**

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Interest payable on bank borrowings | (24,263) | (30,545) |
| Less: interest capitalised in construction-in-progress | 3,562 | 78 |
| Interest expense | (20,701) | (30,467) |
| Interest income | 1,534 | 2,807 |
| Net foreign exchange transaction gains | 3,194 | 1,488 |
| Other finance charges | (1,605) | (2,200) |
| | (17,578) | (28,372) |

**7. Staff costs**

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Wages and salaries | 80,515 | 59,263 |
| Staff and workers' welfare | 18,540 | 20,033 |
| Retirement scheme contributions (Note (a)) | 5,784 | 5,307 |
| | 104,839 | 84,603 |

(a) The Group participates in certain defined contribution retirement schemes managed by governmental organisation. According to the relevant provisions, these companies and its employees are required to make contributions to local governmental organisation at specified rates, depending on the respective place of incorporation, based on the basic salaries of the employees. The portion of expenses contributed by the Group is charged to the consolidated income statement.

The average number of employees in 2002 was 2,431 (2001: 2,401).

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**8. Income tax expense**

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Current tax | 13,185 | 3,472 |
| Deferred tax | 4,587 | 793 |
| | 17,772 | 4,265 |

In accordance with the prevailing Enterprise Income Tax ("EIT") regulations, the Company and its subsidiaries in the PRC are subject to income tax at rates of 15% or 33%, depending on their respective place of incorporation. Subsidiaries located abroad are subject to tax rates of their place of incorporation.

Those subsidiaries that are enterprises with foreign investment in the PRC and meet certain criteria are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the following three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years. The reconciliation of the statutory tax rate to the effective tax rate is as follows:

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Profit before tax | 194,279 | 158,443 |
| Tax calculated at a tax rate of 15 to 33% (2001: 15 to 33%) | 29,142 | 23,766 |
| Tax benefits arising from preferential policies | (19,060) | (22,356) |
| Expenses not deductible for tax purposes | 495 | 929 |
| Tax losses on certain subsidiaries not recognised as deferred tax assets | 2,608 | 1,133 |
| Timing difference in recognition of income and expenses | 4,587 | 793 |
| | 17,772 | 4,265 |

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 9. Earnings per share

Basic earnings per share amount is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

| | **2002** | **2001** |
|---|---|---|
| Net profit attributable to shareholders (RMB) | 162,802,000 | 153,207,000 |
| Weighted average number of ordinary shares in issue (Number) | 676,975,000 | 676,975,000 |
| Basic earnings per share (RMB per share) | 0.24 | 0.23 |

The Company has no dilutive potential shares and diluted earnings per share amount is not presented.

## 10. Dividend per share

Pursuant to the Board resolution passed on 22 January 2003, a dividend in respect of 2002 of RMB0.15 (2001: RMB0.13) per share amounting to a total of RMB101,546,000 (2001: RMB88,007,000) was proposed. These consolidated financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2003.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 11. Property, plant and equipment

| | Buildings RMB'000 | Machinery and equipment RMB'000 | Vehicles and others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Year ended 31 December 2002** | | | | |
| Opening net book amount | 424,391 | 1,166,496 | 61,780 | 1,652,667 |
| Transfer from construction-in-progress | 3,065 | 135,086 | 16,473 | 154,624 |
| Additions | - | 13,622 | 2,302 | 15,924 |
| Disposals | (16,060) | (6,372) | (484) | (22,916) |
| Depreciation charge | (11,372) | (81,239) | (13,156) | (105,767) |
| Impairment charge | (1,523) | (382) | (73) | (1,978) |
| Closing net book amount | 398,501 | 1,227,211 | 66,842 | 1,692,554 |
| **At 31 December 2002** | | | | |
| Cost | 481,322 | 1,625,486 | 139,659 | 2,246,467 |
| Accumulated depreciation | (78,861) | (395,984) | (72,744) | (547,589) |
| Provision for impairment | (3,960) | (2,291) | (73) | (6,324) |
| Net book amount | 398,501 | 1,227,211 | 66,842 | 1,692,554 |
| **At 31 December 2001** | | | | |
| Cost | 496,249 | 1,489,242 | 123,235 | 2,108,726 |
| Accumulated depreciation | (69,421) | (320,382) | (61,455) | (451,258) |
| Provision for impairment | (2,437) | (2,364) | - | (4,801) |
| Net book amount | 424,391 | 1,166,496 | 61,780 | 1,652,667 |

The impairment charge was mainly resulted from the change in glass-manufacturing technologies. The recoverable amount (the higher of the value in use or net selling price) was determined at the cash-generating unit level and represented the net selling price, determined by reference to market prices for equivalent or similar assets.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 12. Construction-in-progress

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Beginning of year | 169,755 | 26,334 |
| Additions | 435,922 | 163,444 |
| Capitalised borrowing costs | 3,562 | 78 |
| Transfer to land use rights | - | (6,825) |
| Transfer to property, plant and equipment | (154,624) | (13,276) |
| | 454,615 | 169,755 |

The borrowing costs are calculated at 3.15% (2001: 4.8%) per annum which represented the weighted average of interest rate on the loans used to finance the projects.

## 13. Land use rights

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Opening net book amount | 86,424 | 83,110 |
| Transfer from construction-in-progress | - | 6,825 |
| Additions | 6,206 | - |
| Amortisation charge | (3,387) | (3,511) |
| Closing net book amount | 89,243 | 86,424 |
| Represented by: | | |
| Cost at end of the year | 115,559 | 109,353 |
| Accumulated amortisation at end of the year | (26,316) | (22,929) |
| Net book amount | 89,243 | 86,424 |

Land use rights comprise fees paid for acquiring the rights to use the land where the Group's factory buildings 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 period of use of the rights of ranging from 27 to 50 years. The period of use of a land use right is the shorter of the land use period granted according to the land use right certificate and the approved operating period of the companies holding the land use right. As of 31 December 2002, the Group had no significant future lease payment obligations in respect of the above land use rights.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 14. Intangible assets

| | Software | Patents and licenses | Negative goodwill | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Year ended 31 December 2002** | | | | |
| Opening net book amount | 1,304 | 4,400 | (12,341) | (6,637) |
| Additions | 641 | - | (3,363) | (2,722) |
| Write-off of negative goodwill | - | - | 1,447 | 1,447 |
| Amortisation charge | (298) | (303) | 1,424 | 823 |
| Closing net book amount | 1,647 | 4,097 | (12,833) | (7,089) |
| **At 31 December 2002** | | | | |
| Cost | 3,685 | 4,552 | (17,075) | (8,838) |
| Accumulated amortisation | (2,038) | (455) | 4,242 | 1,749 |
| Net book amount | 1,647 | 4,097 | (12,833) | (7,089) |
| **At 31 December 2001** | | | | |
| Cost | 3,044 | 4,552 | (13,712) | (6,116) |
| Accumulated amortisation | (1,740) | (152) | 1,371 | (521) |
| Net book amount | 1,304 | 4,400 | (12,341) | (6,637) |

The negative goodwill relating to a subsidiary which became dormant during the year was written off in the consolidated income statement.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 15. Available-for-sale investments

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Unlisted investments in the PRC | | |
| Opening net book amount | 9,118 | 8,474 |
| Impairment charge/(Write back of impairment charge) | (455) | 644 |
| Closing net book amount | 8,663 | 9,118 |
| Represented by: | | |
| Cost at end of the year | 25,499 | 25,499 |
| Provision for impairment in value at end of the year | (16,836) | (16,381) |
| Net book amount | 8,663 | 9,118 |

No quoted market prices are available for the above unlisted companies. The directors of the Company are of the opinion that the carrying value of the long-term investments approximated their recoverable amount as of year end.

## 16. Inventories

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Raw materials (at cost) | 47,569 | 45,317 |
| Work-in-progress (at cost) | 5,698 | 8,386 |
| Finished goods (at cost) | 43,259 | 37,104 |
| | 96,526 | 90,807 |
| Less: provision for obsolescence | (2,707) | (2,829) |
| | 93,819 | 87,978 |

As at 31 December 2002, finished goods of RMB12,031,000 (2001: RMB9,916,000) were stated at net realisable value; raw materials of RMB3,217,000 (2001: RMB4,451,000) were stated at net realisable value and work-in-progress of RMB78,000 (2001: RMB78,000) were stated at net realisable value.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 17. Properties held for sale

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Opening net book amount | 279,333 | 304,006 |
| Sale of properties held for sale | (39,071) | (43,571) |
| Write back of net realisable value provision | 6,710 | 18,898 |
| Closing net book amount | 246,972 | 279,333 |
| Represented by: | | |
| Cost at end of the year | 428,450 | 467,521 |
| Provision for net realisable value at end of the year | (181,478) | (188,188) |
| Net book amount | 246,972 | 279,333 |

All properties are stated at net realisable value. The provision for net realisable value of properties held for sale was determined by the directors based on the net selling price of similar properties with reference to the property market.

Certain properties held for sale are rented to third party tenants during the year and the income derived was included in other operating income. The net book value of these properties as at 31 December 2002 amounted to RMB62,158,000. (2001: RMB78,047,000)

## 18. Trade receivables

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Accounts receivable | 177,081 | 167,792 |
| Notes receivable | 8,742 | 4,372 |
| | 185,823 | 172,164 |
| Less: provision for doubtful accounts | (13,823) | (15,243) |
| | 172,000 | 156,921 |

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 19. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Cash in hand | 283 | 301 |
| Cash at banks | 187,795 | 200,455 |
| | 188,078 | 200,756 |
| Less: pledged bank deposits (Note (a)) | (8,213) | (18,587) |
| Cash and cash equivalents | 179,865 | 182,169 |

(a) At 31 December 2002, bank deposits of RMB8,213,000 (2001: RMB18,587,000) were pledged to banks as security for property mortgage loans granted by the banks to customers of the Group.

## 20. Trade and other payables

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Trade payable | 99,076 | 81,578 |
| Notes payable | 21,396 | 37,784 |
| Payable for construction work and purchase of equipment | 79,393 | 94,755 |
| Deposits from customers | 22,618 | 26,430 |
| Salary payable and welfare payable | 11,979 | 11,630 |
| Accruals | 17,765 | 12,996 |
| Others | 21,246 | 45,924 |
| | 273,473 | 311,097 |

## 21. Current tax liabilities

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Provision for income tax | 4,310 | 263 |
| Value-added tax payable | 888 | 1,115 |
| Business tax payable | 1,844 | 1,991 |
| Others | 728 | 849 |
| | 7,770 | 4,218 |

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 22. Borrowings

| | 2002<br>RMB'000 | 2001<br>RMB'000 |
|---|---|---|
| Borrowings from banks | | |
| - Current | 559,734 | 401,763 |
| - Non-current | 50,000 | - |
| | 609,734 | 401,763 |

As of 31 December 2002, all borrowings were unsecured.

All current bank loans bear interest charged at fixed interest rates ranging from 2.469% to 4.779% (2001: from 3.190% to 6.435%) per annum, the effective weighted average annual rate for the year was 4.741% (2001: 5.695%).

The non-current bank loans are wholly repayable in 2004. Of the amounts, RMB40,000,000 is a subsidised loan with interest rate of 6%. The interest charge of the loan will be borne by Shenzhen Finance Bureau. The interest rate of the remaining balance of RMB10,000,000 is 4.941%.

The carrying amounts of borrowings approximate their fair values. The fair values are based on discounted cash flows using a discount rate based upon the borrowing rates which the directors expect would be available to the Group at the balance sheet date.

## 23. Deferred tax assets

Movements of deferred tax assets are as follows:

| | 1 January 2002<br>RMB'000 | Credit (charged) to consolidated income statement<br>RMB'000 | 31 December 2002<br>RMB'000 |
|---|---|---|---|
| Provision for doubtful accounts | 869 | (703) | 166 |
| Provision for impairment loss of available-for-sale investments | 2,068 | (2,068) | - |
| Write off of pre-operating expenses | 1,955 | (1,955) | - |
| Provision for impairment of property, plant and equipment | 141 | 139 | 280 |
| | 5,033 | (4,587) | 446 |

Certain companies of the Group had unused tax losses of totalling RMB 17,387,000 (2001: RMB7,557,000) for which no deferred tax asset is recognised in the consolidated balance sheet due to the uncertainty of its recoverability. Apart from this, there are no material unprovided deferred tax assets and liabilities.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 24. Share capital

| Authorised, issued and fully paid | **As of 31 December 2002 and 2001** Number of shares '000 | **As of 31 December 2002 and 2001** RMB'000 |
|---|---|---|
| Unlisted shares | | |
| Shares owned by domestic legal persons | 270,757 | 270,757 |
| Listed shares | | |
| A Shares | 107,166 | 107,166 |
| B Shares | 299,052 | 299,052 |
| Total | 406,218 | 406,218 |
| | 676,975 | 676,975 |

All shares of the Company are RMB1 each and carry equal rights except for the currency in which dividend is payable.

## 25. Reserves

In accordance with relevant PRC regulations applicable to joint stock limited companies by shares and the Articles of Association of the companies within the Group, the Group is required to allocate its profit after tax to the following reserves:

(a) Statutory common reserve fund

Each year to transfer 10% of the profit after tax as reported under the PRC Accounts to the statutory common reserve fund until the balance reaches 50% of the paid-up share capital. This reserve can be used to make up prior years' losses or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(b) Statutory public welfare fund

Each year to transfer between 5% to 10% of the profit after tax as reported under the PRC Accounts to the statutory public welfare fund which is restricted to finance capital expenditure for staff welfare facilities which are owned by the Group. The statutory public welfare fund is not available for distribution to shareholders (except in liquidation). Once the capital expenditure on staff welfare facilities has been made, an equivalent amount will be transferred from the statutory public welfare fund to the discretionary common reserve fund.

For the year ended 31 December 2002, the directors of the Company proposed that 10% and 5% (2001: 10% and 5%) of the net profit as reported in the PRC Accounts be appropriated to statutory common reserve fund and statutory public welfare fund respectively totalling RMB24,497,000 (2001: RMB22,694,000). The resolution is subject to approval by shareholders in the coming annual general meeting.

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**25. Reserves (Continued)**

(c) Discretionary common reserve fund

The discretionary common reserve fund can be set up by means of appropriation from the retained profits or transfer from the statutory public welfare fund. Subject to the approval of shareholders in general meeting, the reserve can be used to make up any losses, to increase share capital or to pay dividends.

The Group has not made any appropriation from the retained profits or transfer any amount from the statutory public welfare fund to the discretionary common reserve fund during the year.

**26. Retained earnings**

Pursuant to PRC regulations and the Company's Articles of Association, the profit available for distribution as dividends is determined based on the lower of the distributable profits as reported in the PRC statutory financial statements and the distributable profit adjusted according to IFRS.

As of 31 December 2002, the retained earnings before final dividends reported in the PRC Accounts and under IFRS were RMB94,785,000 (2001: RMB57,517,000) and RMB188,639,000 (2001: RMB138,341,000) respectively.

**27. Minority interests**

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| At 1 January | 34,066 | 58,088 |
| Capital contribution | 36,221 | 9,311 |
| Disposal to the Group | (7,243) | (28,570) |
| Share of net profit of subsidiaries | 13,705 | 971 |
| Dividend paid | (714) | (5,734) |
| At 31 December | 76,035 | 34,066 |

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 28. Cash generated from operations

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Net profit | 162,802 | 153,207 |
| Adjustments for: | | |
| Minority interests | 13,705 | 971 |
| Income tax expense | 17,772 | 4,265 |
| Depreciation | 105,767 | 103,026 |
| Amortisation and write-off of intangible assets | (2,270) | (779) |
| Amortisation of land use rights | 3,387 | 3,511 |
| Loss/(Profit) on disposals of property, plant and equipment | (4,084) | 5,941 |
| Impairment charge for property, plant and equipment | 1,978 | 4,801 |
| Write back of net realisable value provision for properties held for sale | (6,710) | (18,898) |
| Impairment charge/(Write back of impairment charge) for available-for-sale investments | 455 | (644) |
| (Write back of provision)/Provision for obsolescence of inventories | (122) | 2,055 |
| Provision for doubtful accounts | 515 | 1,592 |
| Interest expense | 20,701 | 30,467 |
| Interest income | (1,534) | (2,807) |
| | 312,362 | 286,708 |
| Changes in working capital: | | |
| Inventories | (5,719) | 27,098 |
| Properties held for sale | 39,071 | 42,659 |
| Trade receivables | (15,594) | 54,122 |
| Other receivables and prepayments | 7,737 | (42,317) |
| Trade and other payables | (20,042) | (26,963) |
| | 317,815 | 341,307 |

## CSG TECHNOLOGY HOLDING CO., LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2002

### 29. Principal subsidiaries

As of 31 December 2002, the Company has direct/indirect interest in the following principal subsidiaries:

| Name | Place of incorporation | Principal activities | Percentage of equity interest held | |
|---|---|---|---|---|
| | | | 2002 | 2001 |
| Shenzhen CSG Southern Star Glass Processing Co.,Ltd. | PRC | Glass processing | 100% | 100% |
| Shenzhen Nanfeng Glass Machinery Co.,Ltd. | PRC | Production of glass manufacturing machinery and related equipment | 100% | 100% |
| Shenzhen CSG Architectural Glass Co.,Ltd. | PRC | Production of engraved glass | 100% | 100% |
| Hainan Southern Glass Industrial Development Co.,Ltd. | PRC | Property development and investment | 100% | 100% |
| Southern Glass (Wuhan) Industrial Development Co.,Ltd. | PRC | Property development and investment | 100% | 100% |
| China Southern Glass (Australia) Pty. Limited | Australia | Glass trading | 100% | 100% |
| Shenzhen Nanbo Spandrel and Tempglass Co.,Ltd. | PRC | Production of colour-coated glass | 100% | 100% |
| Shenzhen Nanbo Structure Ceramics Co.,Ltd. | PRC | Production of structural ceramic products | 100% | 100% |
| Shenzhen Nanbo Curtain Wall Engineering Co.,Ltd. | PRC | Interior decoration, design and installation | 100% | 100% |
| Shenzhen CSG Electronic Co.,Ltd. | PRC | Production of electronic ceramic products | 100% | 100% |
| Shenzhen Southern Float Glass Co.,Ltd. | PRC | Production of ultra-thin coated glass | 100% | 100% |
| Shenzhen CSG Automotive Glass Co.,Ltd. | PRC | Production of car windows | 100% | 100% |
| Sichuan Southern Glass Industrial Development Co.,Ltd. | PRC | Property development and investment | 100% | 100% |
| Hainan Wen Chang CSG Silica Sand Mine Company | PRC | Mining of silica sand | 100% | 100% |
| Beihai Nanbo Real Estate Development Co.,Ltd. | PRC | Property development and investment | 100% | 65% |
| Tianjin Southern Glass Industrial Development Co.,Ltd. | PRC | Property development | 100% | 75% |
| Shenzhen CSG Wellight Coating Glass Co.,Ltd. | PRC | Production of coated glass and mirrors | 100% | 100% |
| Shenzhen Nanbo Display Technology Co.,Ltd. | PRC | Production of monitors | 75% | 75% |
| Shenzhen Hong Da Mirrors Limited | PRC | Production of glass mirrors | 100% | 75% |
| Shenzhen CSG Safety Glass Co.,Ltd. | PRC | Production of safety glass | 100% | 75% |
| Shenzhen CSG Wellight Conductive Coating Co.,Ltd. | PRC | Production of conductive glass products | 70% | 70% |
| Tianjin CSG Architectural Glass Company Limited | PRC | Production of special floating glass and specially processed glass (not yet commenced operation) | 61% | - |
| Hainan Southern Glass Property Management Co.,Ltd. | PRC | Property management | 100% | 100% |

(Names of those subsidiaries incorporated in the PRC are direct translation of their Chinese names)

**CSG TECHNOLOGY HOLDING CO., LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

## 30. Commitments

As at 31 December 2002, capital expenditure contracted for but not recognised in the consolidated financial statements is as follows:

| | **2002** | **2001** |
|---|---|---|
| | RMB'000 | RMB'000 |
| Purchase of property, plant and equipment | 246,106 | 235,520 |

## 31. Comparative figures

The following comparative figures have been reclassified to conform with the current year's presentation:

(a) Rental income of RMB 4,863,000 was reclassified from sales to other operating income; and

(b) Revaluation reserve of RMB 7,338,000 arising from restructuring of the Group was reclassified to capital reserve.

## 32. Approval of financial statements

These financial statements have been approved for issue by the Board of Directors on 2 April 2003.

**SUPPLEMENTARY INFORMATION**
**FOR THE YEAR ENDED 31 DECEMBER 2002**

The impact of IFRS adjustments on PRC statutory financial statements are as follows:

| | Consolidated net profit for the year ended 31 December 2002 RMB'000 | Consolidated net assets as at 31 December 2002 RMB'000 |
|---|---|---|
| As per the PRC statutory financial statements | 163,311 | 1,907,826 |
| Impact of IFRS and other adjustments: | | |
| Recognition of deferred income tax | (4,587) | 446 |
| Derecognition of long-term deferred expenses and reversal of the related amortisation charge | 1,707 | (428) |
| Recognition of sales of properties based on transfer of title | 2,371 | 1,726 |
| Derecognition of dividends declared after year end date | - | 101,546 |
| As restated after IFRS adjustments | 162,802 | 2,011,116 |