CSG HOLDING CO., TLD.

THIRD QUARTER REPORT 2003

CEO: Zheng Nan

October 2003

CSG HOLDING CO., LTD.

THIRD QUARTER REPORT 2003

I Important Notes

i Board of Directors of CSG Holding Co., Ltd. (hereinafter referred to as the Company) and its directors hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.
ii Director Liu Jun authorized Li Jingqi to vote on behalf of them by written form.
iii The third quarter financial report of 2003 has not been audited.
iv Chairman of the Board of the Company Mr. Cheng Chao, CEO Mr. Zeng Nan and Chief Financial Supervisor Ms. Sun Jingbo hereby confirm that the Financial Report of the First Quarterly Report is true and complete.
v 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.

II Company Profile

i Basic information of the Company

Short form of the stock	Southern Glass A / Southern Glass B	
Stock code	000012 / 200012	
	Secretary of the Board of directors	**Authorized representative in charge of securities affairs**
Name	Wu Guobin	Li Tao
Address	CSG Building, No. 1, 6th Industrial Road, Shekou, Shenzhen, P.R.China	CSG Building, No. 1, 6th Industrial Road, Shekou, Shenzhen, P.R.China
Telephone	0755-26860666	0755-26860666
Fax	0755-26692755	0755-26692755
E-mail	szcsgcsg@public.szptt.net.cn	szcsgcsg@public.szptt.net.cn

ii Financial Information

(i) Main accounting data financial indexes (Unit: RMB'000)

	At the period-end	**At the end of 2002**	**Increase/decrease from the end of 2002 (%)**
Total assets	3,420,694	2,978,128	14.86
Shareholders' equity	2,067,704	2,011,116	2.81
Net assets per share	RMB 3.05	RMB 2.97	2.81
	In the report period	**The same period of previous year**	**Increase/decrease from the same period of previous year (%)**
Net cash flow from operating activities	297,381	--	--
Earning per share	RMB 0.234	RMB 0.193	21.24
Return on equity (%)	7.65	6.52	17.33

(ii) Statement of profit

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 31 SEPTEMBER 2003

	The 3rd quarter of 2003 RMB'000	The 3rd quarter of 2002 RMB'000
Sales	943,277	775,911
Cost of sales	(597,912)	(474,227)
Gross profit	345,365	301,684
Other operating income	5,887	11,261
Distribution costs	(72,713)	(59,610)
Administrative expenses	(79,125)	(80,127)
Other operating expenses	(827)	(8,125)
Profit from operations	198,587	165,083
Finance costs, net	(17,941)	(14,075)
Profit before tax	180,646	151,008
Income tax expense	(13,023)	(9,526)
Profit after tax	167,623	141,482
Minority interests	(9,513)	(10,452)
Net profit	158,110	131,030
Earnings per share	RMB 0.234	RMB 0.194

iii In the report period, the Company had a total of 60,234 shareholders, including 25,234 shareholders of A-share and 35,000 shareholders of B-share.

III Discussion and analysis of the operation

i Brief analysis of the whole situation of operation activities of the Company in the report period.

During the report period, as a result of periodic midseason of glass industry, the main product of the Company demand exceeded supply. And the output & sale quantity is on the increase. The Company got favorable benefit through enhancing management, controlling the cost, developing high-tech products continually. In the third quarter of 2003, the Company realized sales 943.28 million and realized net profit 158.11 million, which increased 21.57% and 20.67% respectively over the corresponding period of last year.

(i) Industry or product of main business accounting for 10% of income or total profit from main business

√ Applicable ☐Non-applicable

Industry	Income RMB'000
Glass products	885,888

(ii) Features of the periodicity and seasonality of the Company's operation

√ Applicable ☐Non-applicable

The third quarter is periodic midseason for main business in the Company. And income of the Company increased rapidly.

(iii) Profit composing in the report period (explanation on significant change and the changing reason of the proportion of main business profit, other business profit, period cost, investment income, allowance income and net non-business income/lost in the total profit compared with the previous report period)

□Applicable √Non-applicable

(iv) Explanation of reason of significant change of main business and its structure compared with the previous report period

□Applicable √Non-applicable

(v) Explanation of reason of significant change of profitability capability of main business (gross profit radio) compared with the previous year

□Applicable √Non-applicable

ii Explanation and analysis of significant events and its effect as well as its counter measure

√Applicable □Non-applicable

a. The 1st temporary Shareholders' General Meeting in 2003 discussed and adopted Proposal on Changing of Company's name form CSG TECHNOLOGY HOLDING CO., LTD. to CSG HOLDING CO., LTD.. State Administration for Industry & Commerce approved this Proposal. And the Company received new Business License on Sep. 29, 2003.

b. Hainan Provincial High People's Court heard again the case of the "Home of Overseas Chinese" between Hainan CSG Industrial Development Co., a wholly owned subsidiary company of Company, and Hainan Yuehai Construction Economic Development Co. on Sep. 1, 2003. The Company didn't receive the judgment at the end of report period.

iii Explanation on the change of accounting policy, accounting estimate and consolidation scope as well as the reason for significant accounting false

√Applicable □Non-applicable

In comparison with the first half year, Guangzhou CSG Glass Co., Ltd. was included the consolidation scope. Guangzhou CSG Glass Co., Ltd. set up in July 2003. And the Company holds 75% shares.

iv Explanation of the Board of Directors and the Supervisory Committee on the "Non-standard Opinion" after audited.

□Applicable √Non-applicable

v Caution and explanation of reason of forecasting a possible loss in accumulated net profit from the year-begin to the end of next report period or significant change of accumulated net profit in comparison with the same period in last year.

□Applicable √Non-applicable

vi Adjustment on the disclosed annual operating plan or budget

□Applicable √Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
Oct. 24, 2003

CSG HOLDING CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2003

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CSG HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2003

	Sep. 31, 2003 RMB'000	Dec. 31, 2002 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,074,822	1,692,554
Construction-in-progress	434,646	454,615
Land use rights	97,486	89,243
Intangible assets	(7,346)	(7,089)
Available-for-sale investments	8,856	8,663
Deferred tax assets	446	446
	2,608,910	2,238,432
Current assets		
Inventories	102,304	93,819
Properties held for sale	236,835	246,972
Trade receivables	217,790	172,000
Other receivables and prepayments	43,830	38,827
Cash and cash equivalents	211,025	188,078
	811,784	739,696
Total assets	3,420,694	2,978,128
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	676,975	676,975
Reserves	1,145,526	1,145,502
Retained earnings	245,203	188,639
	2,067,704	2,011,116
Minority interests	79,897	76,035
Non-current liabilities		
Borrowings	178,875	50,000
Current liabilities		
Trade and other payables	412,796	273,473
Current tax liabilities	12,225	7,770
Borrowings	669,197	559,734
	1,094,218	840,977
Total equity and liabilities	3,420,694	2,978,128

CSG HOLDING CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2003

	The 3rd quarter of 2003 RMB'000
Cash flows from operating activities	
Cash generated from operations	325,266
Interest paid	(17,434)
Income tax paid	(10,451)
Net cash from operating activities	297,381
Cash flows from investing activities	
Purchase of property, plant and equipment	(395,953)
Purchase of land use rights	(10,991)
Interest received	898
Net cash used in investing activities	(406,046)
Cash flows form financing activities	
Proceeds from borrowings	1,438,217
Repayments of borrowings	(1,199,879)
Dividends paid to group shareholders	(101,132)
Dividends paid to minority interests	(11,653)
Capital contributed by minority shareholders of subsidiaries	(6,007)
Pledged bank deposits withdrawn	715
Net cash generated from (used in) financing activities	132,275
Effect of exchange rate changes	52
Net decrease in cash and cash equivalents	23,662
Cash and cash equivalents at beginning of year	179,865
Cash and cash equivalents at end of year	203,527