CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2004

CEO:ZENG NAN

April 2004

CSG HOLDING CO., LTD.
THE FIRST QUARTER REPORT 2004

I Important Notes

i The 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 The first quarter financial report of 2003 has not been audited.
iii 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 Quarter Report is true and complete.
iv 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, Industrial Road, Shekou, Shenzhen, 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 report period-end	**At the end of 2003**	**Increase/decrease from the end of 2003 (%)**
Total assets	3,900,800	3,526,990	10.60
Shareholders' equity	2,211,179	2,132,202	3.70
Equity per share	RMB 3.27	RMB 3.15	3.70
	In the report period	**The same period of the previous year**	**Increase/decrease from the same period of previous year (%)**
Net cash flow from operating activities	83,377	17,101	387.56
Earning per share	RMB 0.126	RMB 0.05	133.44
Return on equity (%)	3.87	1.79	124.02

(ii) Statement of profit

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2004

	The 1st quarter of 2004	The 1st quarter of 2003
	RMB'000	RMB'000
Sales	401,992	244,671
Cost of sales	(251,483)	(151,802)
Gross profit	150,509	92,869
Other operating income	1,215	700
Distribution costs	(26,924)	(20,476)
Administrative expenses	(24,887)	(24,344)
Other operating expenses	(4)	(125)
Profit from operations	99,909	48,624
Finance costs, net	(920)	(5,956)
Profit before tax	98,989	42,668
Income tax expense	(7,477)	(3,266)
Profit after tax	91,512	39,402
Minority interests	(5,967)	(2,756)
Net profit	85,545	36,646
Earnings per share	RMB 0.126	RMB 0.05

iii In the report period, the Company had a total of 49,286 shareholders, including 17,021 shareholders of A-share and 32,265 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.

In the report period, the sustained rapid growth of the domestic economy and strong demand of market created good eternal condition for the Company. The traditional glass industry of the Company got good benefit and the achievements were promoted step by step, due to the operation policy of developing high-tech product and different flexible operation mode. Rapid development of LCD industry and general recovery of electronic components industry induced great demand and rising price of ITO glass and electronic components of the Company, and the benefits increased obviously. Sale of inventories of property is good and got the first profit in these years. Due to strongly internal management, the Company controlled cost availably when the sales increased in a big range. In the first quarter of the year, the main products in the Company got great volume of production and sales due to all these above reasons, and the achievements of the Company increased by a big margin compared with the same period of the previous year. In the first quarter of 2003, the Company realized sales RMB 401.99 million, increasing 64.30% compared with the same period of the previous year; realized net profit RMB 85.55 million, increasing 133.44% compared with the same period of the previous 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)
Sales of glass products	359,571

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

☐Applicable √ Non-applicable

(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

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

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

Because of the great increase in domestic economy this year, the demand of the main products of the Company improved quickly and the price sustained at a high level. And the sales increased by a big margin. At the same time, Tianjin Project will be put into production completely. That will effect on the achievements of the Company positively in the second quarter. The Company estimate that if there is no significant change in the international and internal market, the net profit of the Company in the first half of the year will increase over 50% compare with the same period of the previous year.

vi Adjustment on the disclosed annual operating plan or budget

☐Applicable √ Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
20 April 2004

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CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2004

	31 March 2004	31 December 2003
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,377,993	2,064,436
Construction-in-progress	527,954	559,601
Land use rights	90,436	91,283
Intangible assets	(6,113)	(5,954)
Available-for-sale investments	9,243	9,078
Deferred tax assets	927	927
	3,000,440	2,719,371
Current assets		
Inventories	120,670	103,887
Properties held for sale	226,970	231,558
Trade receivables	267,157	214,317
Other receivables and prepayments	44,039	38,154
Trading investments	1,191	859
Cash and cash equivalents	240,333	218,844
	900,360	807,619
Total assets	3,900,800	3,526,990
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	676,975	676,975
Reserves	1,189,521	1,196,089
Retained earnings	344,683	259,138
	2,211,179	2,132,202
Minority interests	97,239	91,272
Non-current liabilities		
Borrowings	202,348	163,337
Current liabilities		
Trade and other payables	367,513	337,869
Current tax liabilities	23,959	18,626
Borrowings	998,562	783,684
	1,390,034	1,140,179
Total equity and liabilities	3,900,800	3,526,990

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2004

	The 1st quarter of 2004
	RMB'000
Cash flows from operating activities	
Cash generated from operations	88,518
Interest paid	(5,059)
Income tax paid	(82)
Net cash from operating activities	83,377
Cash flows from investing activities	
Purchase of property, plant and equipment	(315,705)
Purchase of trading investments	(332)
Purchase from sale of property, plant and equipment	1
Interest received	238
Net cash used in investing activities	(315,798)
Cash flows form financing activities	
Proceeds from borrowings	610,204
Repayments of borrowings	(356,315)
Capital contributed by minority shareholders of subsidiaries	(35)
Pledged bank deposits withdrawn	(839)
Net cash generated from (used in) financing activities	253,015
Effect of exchange rate changes	56
Net decrease in cash and cash equivalents	20,650
Cash and cash equivalents at beginning of year	213,859
Cash and cash equivalents at end of year	234,509