

CSG HOLDING CO., LTD
SEMI-ANNUAL REPORT 2004



CEO: ZENG NAN

August 2004

IMPORTANT NOTICE

The Board of Directors of CSG 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, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.

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

The semi-annual financial report of the Company had not been audited.

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.

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I Company Profile

i Legal Name of the Company

In Chinese: 中国南玻集团股份有限公司

Abbreviation in Chinese: 南玻集团

In English: CSG Holding Co., Ltd.

Abbreviation in English: CSG

ii Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock (A-Share): Southern Glass A

Short Form of the Stock (B-Share): Southern Glass B

Stock Code (A-Share): 000012

Stock Code (B-Share): 200012

iii Registered/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: csg@csgholding.com

iv Legal Representative: Chen Chao

v Secretary of the Board of Directors: Wu Guobin

Securities Affairs Representative: Li Tao

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

vi Newspapers for disclosing the information: Securities Times, China Securities Journal and Ta Kung Pao.

Internet website designated by China Securities Regulatory Commission for publishing the information: <http://www.cninfo.com.cn>

The Place Where the Semi-annual Report is Prepared and Placed: Assets & Securities Department, 5/F., CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, P.R.China

II Major Financial Data and Indexes

i Major accounting data and financial indexes

Unit: RMB'000

	<u>30 June 2004</u>	<u>31 December 2003</u>	<u>Increase/decrease at the end of this report period compared with the year beginning (%)</u>
Current assets	1,083,664	807,619	34.18
Current liabilities	1,563,019	1,140,179	37.09
Total assets	4,232,870	3,526,990	20.01
Shareholders' equity	2,185,840	2,132,202	2.52
Net assets per share (RMB)	3.23	3.15	2.52
	<u>Jan.~Jun. 2004</u>	<u>Jan.~Jun. 2003</u>	<u>Increase/decrease in this report period compared with the same period in last year (%)</u>
Net profit	187,624	92,512	102.81
Earnings per share (RMB)	0.28	0.14	102.81
Rate of return on equity (%)	8.58	4.34	4.24
Net cash flow from operating activities	250,092	210,820	18.63

ii Differences in net profit as audited by Chinese Accounting Standards and International Accounting Standards respectively:

Unit: RMB'000

<u>As reported under CAS:</u>	187,134
Derecognition of deferred pre-operating expenses	467
Recognition of sales of properties based on transfer of title	23
<u>As reported under IAS:</u>	187,624

III Changes in Share Capital and Particulars about the Shareholders

i Both the Company's total shares and its structure remained unchanged in this report period.

ii Ended by the report period, the Company had totally 50,968 shareholders, of them, 18,895 shareholders of A-share and 32,073 shareholders of B-share.

iii Particulars about the shares held by top ten shareholders at the end of the report period:

<u>Name of shareholders</u>	<u>Increase/</u>	<u>Holding</u>	<u>Proportion</u>	<u>Type of</u>	<u>Number of</u>	<u>Nature of</u>
	<u>Decrease in</u>	<u>shares at</u>			<u>share</u>	
	<u>the report</u>	<u>the</u>			<u>pledged or</u>	
	<u>year (share)</u>	<u>year-end</u>	<u>(%)</u>	<u>shares</u>	<u>frozen</u>	<u>shareholders</u>
Yiwan Industrial Development (Shenzhen) Co., Ltd.	0	87,898,367	12.98	Non-circulating	No	
China North Industry Group (Note A)	87,175,364	87,175,364	12.88	Non-circulating	No	
Xin Tong Chan Development (Shenzhen) Co., Ltd.	0	76,204,633	11.26	Non-circulating	No	
China Merchants (Glass Industry) Holding Co., Ltd.	0	11,015,268	1.63	Circulating	No	Foreign shareholder
Shenzhen Jun An Securities Co., Ltd.	0	5,878,371	0.87	Non-circulating	No	
China Merchants Securities Co., Ltd.	1,454,313	5,263,196	0.78	(Note B)	No	
Guotai Junan Securities Hong Kong Limited	Unknown	4,997,997	0.74	Circulating	No	Foreign shareholder
An Shun Securities Investment Fund	Unknown	3,999,000	0.59	Circulating	No	
Deutsche Bank AG London	-1,610,877	3,994,363	0.59	Circulating	No	Foreign shareholder
Guangfa Jufu Open Securities Investment Fund	Unknown	3,504,468	0.52	Circulating	No	

Note A: China North Industry Shenzhen Group, the original second largest shareholder of the Company, transferred 87,175,364 legal person's shares (taking 12.88% of total shares) of the Company to its parent company--China North Industry Group. The procedure of equity transfer has been handled on 6 April 2004. For details of equity transfer, please referred to the relevant notices on Securities Times, China Securities Journal and Ta Kung Pao dated 17 February 2004, 19 February 2004, 30 March 2004, 6 April 2004, 10 April 2004.

Note B: Among 5,263,196 shares of the Company held by China Merchants Securities Co., Ltd., 3,808,883 shares is directional domestic legal person's shares; 1,454,313 shares is circulation shares.

iv Particulars about the shares held by the top ten shareholders of circulating share at the end of report period:

<u>Name of shareholders</u>	<u>Holding shares at the</u>	
	<u>year-end (share)</u>	<u>Type of shares</u>
China Merchants (Glass Industry) Holding Co., Ltd.	11,015,268	B-share
Guotai Junan Securities Hong Kong Limited	4,997,997	B-share
An Shun Securities Investment Fund	3,999,000	A-share
Deutsche Bank AG London	3,994,363	B-share
Guangfa Jufu Open Securities Investment Fund	3,504,468	A-share
China Great Wall Securities Co., Ltd.	3,393,921	A-share
Fortis Haitong Income Growing Securities Investment Fund	3,248,540	A-share
Da Cheng Value Growing Securities Investment Fund	3,172,161	A-share
Nomura TB / Nomura ITM	3,000,000	B-share
GTJA Allianz De Sheng Picked Securities Investment Fund	2,876,086	A-share

v Explanation on associated relationship or consistent action of above shareholders

Among the above shareholders, there existed the associated relationship between Yiwan Industrial Development (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd., which were controlled by Shenzhen International Holdings Ltd.. Except for this, the Company is unknown whether there exists associated relationship, or whether the rest shareholders belong to the consistent actionist regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company.

IV Directors, Supervisors and Senior Executives

i In the report period, directors, supervisors and senior executives held totally 92,496 shares of the Company, and the aforesaid shares were frozen. The number of the shares of the Company held by them didn't change.

ii Particulars about changes of directors, supervisors and senior executives

In the 2003 Shareholders' General Meeting held on 23 April 2004, the Board of Directors agreed Mr. Yuan Dingfu to resign from the post of Supervisor, and elected Mr. Zhao Xijun as Supervisor of the Company.

V Discussion and Analysis of the Management

i Discussion and analysis to the operating

Though the State implemented macro-control policy in the first half of year 2004 and restricted those industries that were hot excessively in some parts, as a whole, GDP still kept a relatively high speed of growth. In such a good economic environment, the Company caught the chance and gained a rapid growth and rich returns in economy. The reasons were following:

(i) The farsighted strategic decision has caught the commercial chance of rapid growth of

Chinese economy. The projects established and put into production in succession since 2002 has enhanced the production scale of the Company greatly and improved the technology and quality grades of products. The comprehensive competitive capability of the Company in the industry has been strengthened continuously. The Company caught the good chance in recent years.

(ii) Careful operation and strong management became the important trump for enhancing the economic benefits. Under good external economic environment, the Company still reinforced the management, operated carefully and controlled the costs and expenditures strictly. Thus, under the situation that income from main operations increased 48.39%, the expense rate decreased 4.37 percent over the same period of last year. The turnover days of trade receivables and inventories were shortened 9 days and 7 days respectively. Moreover, the productive cost was also controlled in a relatively good way and the net profit of the Company increased 102.81% over the same period of last year, of which, a certain part was benefits converted from management strengthening.

(iii) CSG has resisted the operating risks under macro-control by sticking to high-tech product road and superior product concept. Supply of the glass industry in China exceeded its demand as a whole. However, its structure was unbalanced, the middle and high-tech products was lacking relatively. The Company stick to the strategy of high-tech road and doesn't compete in low-grade products in long term, which made the Company catch the initiative right in middle and high-tech glass market at home tightly and the market share be stabilized and strengthened continuously, so as to settle the operating risks brought from macro-control effectively.

ii Operation in the report period

(i) Scope of main operations and their operations

The industry type of the Company falls into the category of nonmetal mineral products industry (C61). The scope of main operations is: R&D, production and operation of raw sheet of high-grade float glass, architectural glass, refined glass, automobile glass, new-typed electronic components and structure ceramic materials, and design and installation of glass wall, and investing, holding and developing industries and so on.

a. Sales classified according to products:

	Unit: RMB'000	
	<u>Jan.~Jun. 2004</u>	<u>Jan.~Jun. 2003</u>
Sales of glass products	745,644	519,445
Sales of ceramics products	28,648	20,935
Sales of properties	64,443	17,465
Glass installation service revenue	11,512	15,152
Total	850,247	572,997

b. Sales classified according to location:

Unit: RMB'000

	<u>Jan.~Jun. 2004</u>	<u>Jan.~Jun. 2003</u>
PRC	634,141	370,315
United States	19,497	27,066
Australia	18,803	14,130
Others	177,806	161,486
Total	850,247	572,997

(ii) In the report period, profit structure, main operations and their structures did not change greatly, while changes in profitability of main operations and reasons were following:

Unit: RMB'000

<u>Item</u>	<u>Jan.~Jun. 2004</u>	<u>Jan.~Jun. 2003</u>	<u>Increase/decrease (%)</u>	<u>Reasons</u>
Sales	850,247	572,997	48.39	Demand was prosperous; production and sales of products were vigorous; price increased obviously over than the same period in last year.
Net profit	187,624	92,512	102.81	Sales increased and good control of expense.

(iii) In the report period, the Company had no other operating business activities that impacted significantly on the profits.

(iv) In the report period, there was no individual share-holding company whose investment income impacted on the net profit of the Company over 10%.

(v) Problems and difficulties in the operation and solutions

Along with the implementation of macro-control policy of the State, price and sales of architectural glass will be affected probably. Besides, the rapid decrease in sales volume of automobiles in the second quarter will bring a certain influence on sales of automobile glass of the Company. Therefore, the Company will continue to strengthen internal management, operate carefully, control cost and expenditure strictly and adjust product structure timely so that to reduce the disadvantageous influence brought from the said bad factors.

iii Investment in the report period

(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 the report period:

- Tianjin Architectural Glass Project was put into production in March 2004. The productive and operating were good.
- Color Filter Glass 1st Line Project was entered into trial-production in July 2004. The project will be put into production in August in 2004.
- The contract on purchase of main equipment of Color Filter Glass 2nd Line Project had been signed. The project will be put into production in 2nd quarter 2005.
- The 3rd term of Automobile Glass Production Line project was entered into the phase of equipment installation and adjustment. The project will be put into production around July to August in 2004.
- The construction of Guangzhou CSG special glass production line was being conducted as scheduled. The 1st float glass production line will be put into production at the end of 2004, and the 2nd float glass production line will be put into production in the 1st quarter

2005.

f. Chengdu CSG Glass Industrial Base project was under prophase preparation phase.

iv Profit estimate of the Company

In the 1st Quarter Report 2004, the Company estimated that its net profit in the 1st half year would increase of 50% over the same period in last year. Ended the end of the report period, the net profit of the Company reached RMB 187 million, and it increased of 102.81% over the same period in last year.

VI Significant Events

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 (hereinafter referred to as CSRC), the Company has consistently improved the legal person administration structure, established modern enterprise system and standardized the operation of the Company. The Company formulated and improved 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 others.

In order to improve the operation efficiency and scientific decision-making level of the Board of Directors of the Company and ensure the Board of Directors to perform the function provided in the relevant laws, regulations and the Articles of Association of the Company seriously, the proposal on Establishing Special Committee of the Board of Directors was examined and approved according to the requirements of Administration Rules of Listed Company on the 14th Meeting of the 3rd Board of Directors held on 20 April, 2004. The Board of Directors established four special committees, namely the Strategic Committee, the Auditing Committee, the Nomination Committee, the Remuneration and the Examination Committee, and Directors occupied the members of the special committee. Each special committee could engage intermediary agent to offer the special opinion, and the relevant costs were borne by the Company. Each special committee was responsible for the Board of Directors and the resolutions would be submit to the Board of Directors for examination and decision. Establishment of the special committees further perfected the administrative structure of the Company and advanced the operation efficiency of the Company.

ii Profit distribution plan

(i) Implementation of profit distribution plan implemented in the report period:

Shareholds' General Meeting 2003 held on 23 April 2004 has passed Profit Distribution Plan 2003. It is that based on the total share capital of 676,975,416 shares at the end of 2003, the dividends will be distributed to the whole Shareholders in cash at the rate of RMB 1.80 for every 10 shares (including tax). The Company has published the public notice of the profit distribution plan on 17 June 2004. And the distribution almost had been accomplished.

(ii) Midterm profit distribution plan: the Company shall neither distribute profits nor convert public reserve into share capital in midterm.

iii In the report period, there was no significant lawsuits and arbitration.

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

v In the report period, there was no significant related transaction.

vi Significant contract and implementation

(i) In the report period, the Company did not entrust other Company to manage its assets.

(ii) There was no such situation that the Company's holding shareholders and other related parties tied up cash of the Company at the end of the report period.

(iii) Significant contract

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 (ended 30 June 2004):

<u>Company</u>	<u>Amount (In 000'000)</u>		
	<u>USD</u>	<u>RMB</u>	<u>HKD</u>
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	-	10.00	-
Shenzhen CSG Wellight Coating Co., Ltd.	-	5.00	-
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	10.90	30.00	49.40
Shenzhen Nanbo Display Technology Co., Ltd.	3.50	50.00	-
Shenzhen Southern Float Glass Co., Ltd.	24.75	120.00	-
Shenzhen CSG Automotive Glass Co., Ltd.	15.09	30.85	12.92
Tianjin CSG Architectural Glass Co., Ltd.	-	15.00	-
Guangzhou CSG Glass Co., Ltd.	15.34	195.00	-
Total	69.58	455.85	62.32

Independent Directors expressed the special explanation and independent opinion on guarantee of the Company. The Independent Director considered that the Company did not provide guarantee to any holding shareholders and other related parties hold 50% of equity of the Company, any un-legal-person company or natural person. In the report period, new additional guarantee that the Company offered to the subsidiaries was about RMB 540 million. Ended 30 June 2004, the Company provided the total guarantee amount of about RMB 1,098 to the subsidiaries. All guarantee events of the Company were support of production and operation of the subsidiaries with the way of guarantee. The Company abided the relevant regulations of the Rules for Listing Shares and the Articles of Association of the Company strictly. There was no guarantee behavior against the regulations.

(iv) In the report period, the Company did not entrust others to manage cash assets. Also, there was no organization of finance entrustment.

vii In the report period, the Shareholders holding over 5% shares of the Company made no commitment on the designated.

viii In the report period, the Company, the Board of Directors and its directors had never been checked and given administrative punishment or circular notices of criticism by the CSRC nor been condemned publicly by the Stock Exchange. The directors and the manager of the Company have not been involved in

the judicial forcible measures.

ix Index of important information

In the report period, the notices have all been published in Securities Times, China Securities Journal, Ta Kung Pao and internet website called <http://www.cninfo.com.cn>.

Date	Number	Name
16 March 2004	2004-001	Annual Report 2003, Notice on Resolutions of the 12 th Meeting of the 3 rd Board of Directors and Holding the Shareholders' General Meeting 2003
16 March 2004	2004-002	Notice on Resolutions of the 12 th Meeting of the 3 rd Supervisory Committee
30 March 2004	2004-003	Notice on Progress of Equity Transfer
06 April 2004	2004-004	Notice on Changing Share Transfer Agreement
10 April 2004	2004-005	Notice on Resolutions of the 13 th Meeting of the 3 rd Board of Directors
10 April 2004	2004-006	Notice on Progress of Equity Transfer
10 April 2004	2004-007	Notice on Guarantee Provided by the Company in 2003
14 April 2004	2004-008	Notice on Expecting Growth in Achievement
21 April 2004	2004-009	The 1 st Quarter Report 2004, Notice on Resolutions of the 14 th Meeting of the 3 rd Board of Directors
21 April 2004	2004-010	Notice on Resolutions of the 13 th Meeting of the 3 rd Supervisory Committee
24 April 2004	2004-011	Notice on Resolutions of Shareholders' General Meeting 2003
17 June 2004	2004-012	Notice on Profit Distribution 2003

VII Financial Statements (Non-audited)

Attached hereafter.

XII Documents for Reference

- i** Original of Semi-annual Report carried with the signature of CEO.
- ii** Financial Statements carried with the signatures of the Chairman of the Board, CEO and CFO.
- iii** Original of the all documents disclosed publicly on the newspapers designated by CSRC in the report period.
- iv** Original of Articles of Association of the Company.

**Board of Directors of
CSG Holding Co., Ltd.
02 August 2004**

Financial Statements (Non-audited)

CONSOLIDATED INCOME STATEMENT ENDED 30 JUNE 2004

	Notes	Jan.~Jun. 2004 RMB'000	Jan.~Jun. 2003 RMB'000
Sales	4	850,247	572,997
Cost of sales		<u>(524,713)</u>	<u>(369,822)</u>
Gross profit		325,534	203,175
Other operating income		6,360	5,020
Distribution costs		(54,013)	(43,625)
Administrative expenses		(52,080)	(44,845)
Other operating expenses		<u>(469)</u>	<u>(673)</u>
Profit from operations		225,332	119,052
Finance costs, net		<u>(8,206)</u>	<u>(13,250)</u>
Profit before tax		217,126	105,802
Income tax expense		<u>(16,743)</u>	<u>(7,270)</u>
Profit after tax		200,383	98,532
Minority interests		<u>(12,759)</u>	<u>(6,020)</u>
Net profit		<u>187,624</u>	<u>92,512</u>
Earnings per share	5	<u>RMB 0.28</u>	<u>RMB 0.14</u>

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

CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2004

	Notes	2003 RMB'000	2002 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,406,312	2,064,436
Construction-in-progress	7	649,454	559,601
Land use rights	8	89,544	91,283
Intangible assets	9	(5,717)	(5,954)
Available-for-sale investments		8,686	9,078
Deferred tax assets		927	927
		<u>3,149,206</u>	<u>2,719,371</u>
Current assets			
Inventories	10	128,061	103,887
Properties held for sale	11	208,245	231,558
Trade receivables	12	255,364	214,317
Other receivables and prepayments		80,621	38,154
Trading investments		1,341	859
Cash and cash equivalents	13	<u>410,032</u>	<u>218,844</u>
		<u>1,083,664</u>	<u>807,619</u>
Total assets		<u>4,232,870</u>	<u>3,526,990</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	676,975	676,975
Reserves		1,183,959	1,196,089
Retained earnings		<u>324,906</u>	<u>259,138</u>
		<u>2,185,840</u>	<u>2,132,202</u>
Minority interests		<u>92,305</u>	<u>91,272</u>
Non-current liabilities			
Borrowings	16	<u>391,706</u>	<u>163,337</u>
Current liabilities			
Trade and other payables	14	422,796	337,869
Current tax liabilities	15	24,072	18,626
Borrowings	16	<u>1,116,151</u>	<u>783,684</u>
		<u>1,563,019</u>	<u>1,140,179</u>
Total equity and liabilities		<u>4,232,870</u>	<u>3,526,990</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY ENDED 30 JUNE 2004

	Share capital RMB'000	Capital reserve RMB'000	Statutory common reserve fund RMB'000	Statutory public welfare fund RMB'000	Hedging reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2003	676,975	927,897	132,134	84,855	-	616	188,639	2,011,116
Dividend relating to 2002	-	-	-	-	-	-	(101,546)	(101,546)
Capital exchange reserve recognised	-	5	-	-	-	-	-	5
Net fair value gain	-	-	-	-	19,924	-	-	19,924
Currency translation differences	-	-	-	-	-	71	-	71
Net profit for the year	-	-	-	-	-	-	202,632	202,632
Appropriation to reserve funds	-	-	20,391	10,196	-	-	(30,587)	-
Balance at 31 December 2003 and 1 January 2004	676,975	927,902	152,525	95,051	19,924	687	259,138	2,132,202
Dividend relating to 2003	-	-	-	-	-	-	(121,856)	(121,856)
Capital exchange reserve recognised in current year	-	-	-	-	-	-	-	-
Net fair value gain in current year relating to cash flow hedge	-	-	-	-	(12,002)	-	-	(12,002)
Currency translation differences	-	-	-	-	-	(128)	-	(128)
Net profit for the year	-	-	-	-	-	-	187,624	187,624
Appropriation to reserve funds	-	-	-	-	-	-	-	-
Balance at 30 June 2004	676,975	927,902	152,525	95,051	7,922	559	324,906	2,185,840

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

**CONSOLIDATED CASH FLOW STATEMENT
ENDED 30 JUNE 2004**

	Notes	2003 RMB'000	2002 RMB'000
Cash flows from operating activities			
Cash generated from operations	18	277,713	229,191
Interest paid		(14,326)	(11,772)
Income tax paid		(13,295)	(6,599)
Net cash from operating activities		250,092	210,820
Cash flows from investing activities			
Purchase of property, plant and equipment		(520,032)	(267,529)
Purchase of land use rights			(593)
Purchase of trading investments		(932)	-
Proceeds of trading investments		687	-
Proceeds from sale of property, plant and equipment		719	-
Interest received		940	635
Net cash used in investing activities		(518,618)	(267,487)
Cash flows from financing activities			
Proceeds from borrowings		1,432,378	865,357
Repayments of borrowings		(841,543)	(706,291)
Dividends paid to shareholders		(119,457)	(99,780)
Dividends paid to minority interests		(11,726)	(11,653)
Pledged bank deposits withdrawn		(806)	418
Net cash generated from financing activities		458,846	48,051
Effect of exchange rate changes		63	43
Net increase (decrease) in cash and cash equivalents		190,383	(8,573)
Cash and cash equivalents at beginning of year		213,859	179,865
Cash and cash equivalents at end of year	13	404,242	171,292

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ENDED 30 JUNE 2004

1. General information

CSG 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 name of the Company was changed from CSG Technology Holding Co., Ltd. to CSG Holding Co., Ltd. in 2003.

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”). The consolidated financial statements have been prepared under the historical cost convention. This basis of accounting differs from that used in the statutory accounts of the Company and its main subsidiaries (the “PRC Accounts”) which are 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 events and actions, actual results ultimately may differ from those estimates.

2. Accounting policies (Continued)

B Group accounting

(1) Subsidiaries

Subsidiaries, which are those 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.

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. Accounting policies (Continued)**C Foreign currency translation (Continued)****(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, except when deferred in equity as qualifying cash flow hedges.

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 and available-for-sale investments are reported as part of the fair value gain or loss.

(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 30 June. 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 are stated at historical cost less accumulated depreciation and impairment, if any. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

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.

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.

2. Accounting policies (Continued)

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, including transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchase 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 5 to 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.

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 Group's plan for the acquisition and can be measured reliably but which cannot be accrued for at 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.

2. Accounting policies (Continued)

H Impairment of long lived assets

Property, plant and equipment, construction-in-progress 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.

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. 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-sale 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.

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.

2. Accounting policies (Continued)

Q Employee benefits

(1) Pension schemes

The Group participates in 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 basic 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 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.

Revenue from sale 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.

Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be preformed.

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.

S 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.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

2. Accounting policies (Continued)

T Dividends

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

U 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.

V Comparatives

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

W 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.

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.

The Group hedges the foreign currency exposure of its contract commitments to purchase certain plant and equipment payable in Euro. The forward contracts used in its programme mature in twelve months or less, consistent with the related purchase commitments.

3. Financial risk management (Continued)

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.

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.

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.

E Accounting for derivative financial instruments and hedging activities

The Group designates hedges of firm commitments to purchase certain plant and equipment as cash flow hedges which are initially recognised in the balance sheet at cost and subsequently are remeasured at their fair value. Changes in the fair value of hedge that are highly effective, are recognised in equity. Where the firm commitments result in the recognition of an asset or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment affects the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed transaction is ultimately recognised in the income statement. When a committed transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all hedges to specific firm commitments. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the hedge are highly effective in offsetting changes in cash flows of hedged items.

The fair values of hedge of firm commitment to purchase plant and equipment are included in the ending balance of the account of other receivables and prepayments.

4. Sales

(a) Business segment

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

	Jan.~Jun. 2004	Jan.~Jun. 2003
	RMB'000	RMB'000
Sales of glass products	745,644	519,445
Sales of ceramics products	28,648	20,935
Sales of properties	64,443	17,465
Glass installation service revenue	11,512	15,152
	<u>850,247</u>	<u>572,997</u>

(b) Geographical segment

The Group's activities are carried out and assets are located predominantly in the PRC.

Sales by locations of customers, are analysed as follows:

	Jan.~Jun. 2004	Jan.~Jun. 2003
	RMB'000	RMB'000
PRC	634,141	370,315
United States	19,497	27,066
Australia	18,803	14,130
Others	177,806	161,486
	<u>850,247</u>	<u>572,997</u>

5. 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.

	30 June 2004	30 June 2004
Net profit attributable to shareholders (RMB)	187,624,000	92,512,000
Weighted average number of ordinary shares in issue (Number)	676,975,000	676,975,000
Basic earnings per share (RMB per share)	<u>0.28</u>	<u>0.14</u>

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

6. Property, plant and equipment

	Buildings	Machinery and equipment	Vehicles and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
31 December 2003	547,054	2,054,864	138,960	2,740,878
Increase in report period	108,658	297,716	7,992	414,366
Decrease in report period	(390)	(3,339)	(1,824)	(5,552)
30 June 2004	655,323	2,349,241	145,128	3,149,692
Accumulated depreciation				
31 December 2003	(86,445)	(506,726)	(75,292)	(668,463)
Decrease in report period	(7,415)	(60,553)	(3,851)	(71,819)
Increase in report period	96	3,277	1,498	4,871
30 June 2004	(93,764)	(564,002)	(77,645)	(735,411)
Provision for impairment				
31 December 2003	(5,634)	(2,272)	(72)	(7,978)
Increase in report period	-	-	-	-
Decrease in report period	-	9	-	9
30 June 2004	(5,634)	(2,263)	(72)	(7,969)
Net book amount				
30 June 2004	555,925	1,782,976	67,411	2,406,312
31 December 2003	454,975	1,545,865	63,596	2,064,436

7. Construction-in-progress

	30 June 2004	31 December 2003
	RMB'000	RMB'000
Opening net book amount	559,601	454,615
Additions	482,744	613,450
Transfer to property, plant and equipment	(392,891)	(503,220)
Impairment charge	-	(5,244)
	<u>649,454</u>	<u>559,601</u>
Represented by:		
Cost at end of the year	654,698	564,845
Provision for impairment	<u>(5,244)</u>	<u>(5,244)</u>
Net book amount	<u>649,454</u>	<u>559,601</u>

8. Land use rights

	30 June 2004	31 December 2003
	RMB'000	RMB'000
Opening net book amount	91,283	89,243
Additions	-	5,626
Amortisation charge	<u>(1,739)</u>	<u>(3,586)</u>
Closing net book amount	<u>89,544</u>	<u>91,283</u>
Represented by:		
Cost at end of report period	121,185	121,185
Accumulated amortisation at end of report period	<u>(31,641)</u>	<u>(29,902)</u>
Net book amount	<u>89,544</u>	<u>91,283</u>

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 ranging from 27 to 50 years. The period of use of a land use right is the land use period granted according to the land use right certificate. As of 30 June 2004, the Group had no significant future lease payment obligations in respect of the above land use rights.

9. Intangible assets

	Computer software RMB'000	Patents and licenses RMB'000	Negative goodwill RMB'000	Total RMB'000
Opening net book amount	1,507	3,786	(11,247)	(5,954)
Additions	47	-	-	47
Amortisation charge	(163)	(168)	521	190
Closing net book amount	1,391	3,618	(10,726)	(5,717)
At 30 June 2004				
Cost	3,917	4,552	(17,075)	(8,606)
Accumulated amortisation	(2,526)	(934)	6,349	2,889
Net book amount	1,391	3,618	(10,726)	(5,717)

10. Inventories

	30 June 2004 RMB'000	31 December 2003 RMB'000
Raw materials (at cost)	71,194	55,655
Work-in-progress (at cost)	10,260	4,645
Finished goods (at cost)	48,613	45,777
	130,067	106,077
Less: provision	(2,006)	(2,190)
	128,061	103,887

11. Properties held for sale

	30 June 2004	31 December 2003
	RMB'000	RMB'000
Opening net book amount	231,558	246,972
Additions	28,465	14,823
Sale	(67,746)	(38,080)
Write back of net realisable value provision	15,968	7,843
	<u>208,245</u>	<u>231,558</u>
Closing net book amount	<u>208,245</u>	<u>231,558</u>
Represented by:		
Cost at end of the year	365,912	405,193
Provision for net realisable value at end of the year	<u>(157,667)</u>	<u>(173,635)</u>
Net book amount	<u>208,245</u>	<u>231,558</u>

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.

12. Trade receivables

	30 June 2004	31 December 2003
	RMB'000	RMB'000
Accounts receivable	217,530	192,457
Notes receivable	47,044	33,174
	<u>264,574</u>	<u>225,631</u>
Less: provision for doubtful accounts	<u>(9,210)</u>	<u>(11,314)</u>
	<u>255,364</u>	<u>214,317</u>

13. Cash and cash equivalents

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

	30 June 2004 RMB'000	31 December 2003 RMB'000
Cash in hand	545	298
Cash at banks	409,487	218,546
	410,032	218,844
Less: pledged bank deposits	(5,790)	(4,985)
Cash and cash equivalents	404,242	213,859

14. Trade and other payables

	30 June 2004 RMB'000	31 December 2003 RMB'000
Trade payable	205,024	189,237
Notes payable	74,345	46,041
Deposits from customers	35,433	30,926
Salary payable and welfare payable	2,888	13,874
Accruals	36,705	32,291
Dividend payable	3,253	840
Others	65,148	24,660
	422,796	337,869

15. Current tax liabilities

	30 June 2004 RMB'000	31 December 2003 RMB'000
Provision for income tax	9,476	5,649
Value-added tax payable	8,700	10,271
Business tax payable	2,185	1,639
Others	3,711	1,067
	24,072	18,626

16. Borrowings

	2003 RMB'000	2002 RMB'000
Current		
- Bank loans	<u>1,116,151</u>	<u>783,684</u>
Non-current		
- Bank loans	<u>391,706</u>	<u>163,337</u>
	<u>1,507,857</u>	<u>947,021</u>

The effective interest rates of these bank loans, including subsidised loans of RMB 80,000,000 with interest rate of 4.94% to 6% per annum for which the interest charge were borne by Shenzhen Finance Bureau, were ranging from 1.74% to 6% (2003: 1.74% to 6%).

As at 30 June 2004, the Group has unused bank facilities totalling RMB1,629,000,000 (2003: RMB1,241,300,000).

17. Share capital

	30 June 2004 and 31 December 2003	
Authorised, issued and fully paid	Number of shares '000	RMB'000
Unlisted shares		
Shares owned by domestic legal persons	<u>270,757</u>	<u>270,757</u>
Listed shares		
A Shares	107,166	107,166
B Shares	<u>299,052</u>	<u>299,052</u>
	<u>406,218</u>	<u>406,218</u>
	<u>676,975</u>	<u>676,975</u>

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

18. Cash generated from operations

	Jan.~Jun. 2004 RMB'000	Jan.~Jun. 2003 RMB'000
Net profit	187,624	92,512
Adjustments for:		
Minority interests	12,759	6,020
Income tax expense	16,743	7,270
Depreciation	71,871	61,517
Amortisation and write-off of intangible assets	(190)	319
Amortisation of land use rights	1,739	1,667
Loss/(Profit) on disposals of property, plant and equipment	(118)	442
Write back of net realisable value provision for properties held for sale	-	(8,343)
Loss/(Profit) for available-for-sale investments	(365)	-
Provision/(Write back of provision) for obsolescence of inventories	-	27
Provision for doubtful receivables	873	532
Interest expense	14,326	11,772
Interest income	(940)	(635)
	<u>304,322</u>	<u>173,100</u>
Changes in working capital:		
Inventories	(24,174)	(13,141)
Properties held for sale	23,313	22,706
Trade receivables	(41,920)	(44,885)
Other receivables and prepayments	(18,997)	(11,823)
Trade and other payables	<u>35,169</u>	<u>103,234</u>
	<u>277,713</u>	<u>229,191</u>

19. Principal subsidiaries

As of 30 June 2004, the Company has direct/indirect interest in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Percentage of equity interest held
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	PRC	Glass processing	100%
Shenzhen CSG Architectural Glass Co., Ltd.	PRC	Production of architectural glass	100%
Hainan CSG Industrial Development Co., Ltd.	PRC	Property development	100%
CSG (Wuhan) Industrial Development Co., Ltd.	PRC	Property development	100%
CSG (Australia) Pty. Limited	Australia	Glass trading	100%
Shenzhen CSG Spandrel and Tempglass Co., Ltd.	PRC	Production of colour-coated glass	100%
Shenzhen CSG Structure Ceramics Co., Ltd.	PRC	Production of structural ceramic products	100%
Shenzhen CSG Curtain Wall Engineering Co., Ltd.	PRC	Glass curtain wall installation	100%
Shenzhen CSG Electronic Co., Ltd.	PRC	Production of electronic ceramic products	100%
Shenzhen CSG Float Glass Co., Ltd.	PRC	Production of float glass	100%
Shenzhen CSG Automotive Glass Co., Ltd.	PRC	Production of automotive glass	100%
Sichuan CSG Industrial Development Co., Ltd.	PRC	Property development	100%
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	PRC	Mining of silica sand	100%
Beihai CSG Real Estate Development Co., Ltd.	PRC	Property development	100%
Tianjin CSG Industrial Development Co., Ltd.	PRC	Property development	100%
Shenzhen CSG Wellight Coating Glass Co., Ltd.	PRC	Production of coated glass and mirrors	100%
Shenzhen CSG Display Technology Co., Ltd.	PRC	Production of monitors	75%
Shenzhen Hong Da Mirrors Limited	PRC	Production of glass mirrors	100%
Shenzhen CSG Safety Glass Co., Ltd.	PRC	Production of safety glass	100%
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	PRC	Production of conductive glass products	70%
Tianjin CSG Architectural Glass Company Limited	PRC	Production of special floating glass and specially processed glass	75%
Hainan CSG Property Management Co., Ltd.	PRC	Property management	100%
Guangzhou CSG Glass Company Limited	PRC	Production of specially processed glass (not yet commenced operation)	75%
CSG (HK) Limited	Hong Kong	Glass trading	100%

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

**SUPPLEMENTARY INFORMATION
ENDED 30 JUNE 2004**

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

	Net consolidated profit for the year ended 30 June 2004 RMB'000	Net consolidated assets as at 30 June 2004 RMB'000
As per the PRC statutory financial statements	187,134	2,176,962
Impact of IFRS adjustments:		
Recognition of deferred income tax	-	927
Derecognition of deferred pre-operating expenses	467	(3,599)
Recognition of sales of properties based on transfer of title	23	3,628
Recognition of fair value gain on cash flow hedge	-	7,922
After IFRS adjustments	<u>187,624</u>	<u>2,185,840</u>