CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2005

CEO:ZENG NAN

April 2005

CSG HOLDING CO., LTD.
THE FIRST QUARTER REPORT 2005

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 2005 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	**Securities Affairs Representative**
Name	Wu Guobin	Li Tao
Address	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC
Telephone	0755-26860666	0755-26860666
Fax	0755-26692755	0755-26692755
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ii Financial Information

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

	At the report period-end	At the end of 2004	Increase/decrease from the end of 2004 (%)
Total assets	5,177,672	4,729,642	9.47
Shareholders' equity	2,387,194	2,328,068	2.54
Equity per share	RMB 3.53	RMB 3.44	2.54
	In the report period	**The same period of theprevious year**	**Increase/decrease from the same period of previous year (%)**
Net cash flow from operating activities	87,043	83,377	4.40
Earning per share	RMB 0.078	RMB 0.126	-38.24
Return on equity (%)	2.21	3.87	-1.66

(ii) Statement of profit

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

	The 1st quarter of 2005 RMB'000	The 1st quarter of 2004 RMB'000
Sales	417,804	401,992
Cost of sales	(267,787)	(251,483)
Gross profit	150,017	150,509
Other operating income	2,529	1,215
Distribution costs	(31,360)	(26,924)
Administrative expenses	(42,102)	(24,887)
Other operating expenses	(355)	(4)
Profit from operations	78,729	99,909
Finance costs, net	(9,505)	(920)
Profit before tax	69,224	98,989
Income tax expense	(8,157)	(7,477)
Profit after tax	61,067	91,512
Minority interests	(8,235)	(5,967)
Net profit	52,832	85,545
Earnings per share	RMB 0.078	RMB 0.126

iii Total number of shareholders and statement of shares held by the top ten shareholders of circulating shares at the end of the report period.

Total number of shareholders at the end of report period: 52,413 (including 22,428 of A-share and 29,985 of B-share)

Shares held by the top ten shareholders of circulating shares:

Name	Number of circulating shares held at the end of report period	Type
HTHK-Value Partners Intelligent FD-China B SHS FD	11,064,603	B
China Merchants (Glass Industry) Holding Co., Ltd.	11,015,268	B
Value Partners Intelligent Funds-Chinese Mainland Focus Fund	8,191,491	B
Jinfu Securities Investment Fund	5,678,500	A
Dongwu Jiahe Superiority Well-chosen Mixed Open Securities Investment Funds	3,717,517	A
Merrill Lynch Pierce Fenner & Smith Inc	3,342,579	B
Skandia Global Funds Plc	3,295,690	B
Dacheng Blue Chips Steady Securities Investment Funds	3,031,060	A
Nomura TB/Nomura ITM	3,000,000	B
Guangzhou Development Bank-small Growth Stock Securities Investment Funds	2,388,881	A

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 government carried out the policies of macroeconomic adjustment and control continuously. The policies, restricted the development of property market, has impacted on architectural products of the Company. The sustainable low temperature in this winter resulted negative effects on delivering goods to the southern areas. The 1st quarter is usually the off-season in the glass industry. The price of fuel oil and soda ash are mounting up unceasingly. And the 2nd float glass product line of Guangzhou CSG was ignited, which resulted amortization of the startup one-time in Guangzhou CSG. These reasons including income tax expense reflected on the profit of the Company in the report period, and the profit has declined comparing with the same period of the last year.

In the report period, the core business of the Company has been further promoted and various businesses developed smoothly. Guangzhou CSG Glass Co., Ltd., the subsidiary company of CSG, ignited two product lines of float glass successfully so as to improve the product capacity of superior quality float glass. This project putting into production completely would produce active impact on the profit of CSG in 2005 later. Otherwise, ITO and color filter glass has climbed up form low level at the beginning of 1st quarter 2005.

(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	397,708

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

√ Applicable ☐Non-applicable

The 1st quarter is usually off-season for sale of glass products, and the price of glass is the lowest in the whole year.

(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

vi Adjustment on the disclosed annual operating plan or budget
□Applicable √Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
22 April 2005

CSG HOLDING CO., LTD.
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FOR THE FIRST QUARTER ENDED 31 MARCH 2005

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	RMB'000	RMB'000
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CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2005

	31 March 2005	31 December 2004
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,778,647	2,859,457
Construction-in-progress	152,365	748,814
Land use rights	136,223	130,846
Intangible assets	5,508	5,505
Available-for-sale investments	8,887	9,078
Deferred tax assets	1,035	1,035
	4,082,664	3,754,735
Current assets		
Inventories	204,809	150,517
Properties held for sale	118,320	150,532
Trade receivables	270,138	210,797
Other receivables and prepayments	120,323	75,260
Derivative financial instruments	3,248	7,847
Cash and cash equivalents	378,170	379,954
	1,095,008	974,907
Total assets	5,177,672	4,729,642
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	676,975	676,975
Reserves	1,226,739	1,226,857
Retained earnings	483,480	424,236
	2,387,194	2,328,068
Minority interests	116,211	128,362
Non-current liabilities		
Borrowings	693,249	562,150
Current liabilities		
Trade and other payables	685,562	447,906
Current tax liabilities	28,424	26,464
Borrowings	1,267,032	1,236,692
	1,981,018	1,711,062
Total equity and liabilities	5,177,672	4,729,642

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2005

	The 1st quarter of 2005 RMB'000	The 1st quarter of 2004 RMB'000
Cash flows from operating activities		
Cash generated from operations	102,946	88,518
Interest paid	(12,310)	(5,059)
Income tax paid	(3,593)	(82)
Net cash from operating activities	87,043	83,377
Cash flows from investing activities		
Purchase of property, plant and equipment	(246,033)	(315,705)
Purchase of trading investments	-	(332)
Pledged bank deposits placed	6,123	-
Purchase from sale of property, plant and equipment	802	1
Interest received	337	238
Net cash used in investing activities	(238,771)	(315,798)
Cash flows form financing activities		
Proceeds from borrowings	706,392	610,204
Repayments of borrowings	(544,954)	(356,315)
Capital contributed by minority shareholders of subsidiaries	-	(35)
Pledged bank deposits withdrawn	325	(839)
Net cash generated from (used in) financing activities	161,763	253,015
Effect of exchange rate changes	(4,557)	56
Net decrease in cash and cash equivalents	5,478	20,650
Cash and cash equivalents at end of 2004	307,449	213,859
Cash and cash equivalents at end of 1st quarter of 2005	312,927	234,509