

CSG HOLDING CO., LTD
SEMI-ANNUAL REPORT 2005



CEO: ZENG NAN

August 2005

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 this 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

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E-mail: securities@csgholding.com

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: Securities & Law Department, 4/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

	30 June 2005	31 December 2004	Increase/decrease at the end of this report period compared with the year beginning (%)
Current assets	956,765	974,907	-1.86
Current liabilities	1,997,630	1,711,062	16.75
Total assets	5,170,633	4,729,642	9.32
Shareholders' equity	2,313,854	2,328,068	-0.61
Net assets per share (RMB)*	2.28	3.44	-33.72
	Jan.~Jun. 2005	Jan.~Jun. 2004	Increase/decrease in this report period compared with the same period in last year (%)
Net profit	155,152	187,624	-17.31
Earnings per share (RMB)*	0.15	0.28	-46.43
Rate of return on equity (%)	6.71	8.58	Decrease 1.87
Net cash flow from operating activities	356,583	250,092	42.58

**Notes: Net assets per share and Earnings per share have been accounted with a different basic compared with those of the year 2004.*

ii Differences in net profit as audited by Chinese Accounting Standards (CAS) and International Accounting Standards (IAS) respectively:

Unit: RMB'000

<u>As reported under CAS:</u>	149,964
Derecognition of deferred pre-operating expenses and other assets	5,188
<u>As reported under IAS:</u>	155,152

III Changes in Share Capital and Particulars about the Shareholders

i In the report period, Company implemented the profit distribution plan of the year 2004, which included capitalization of capital reserved 5 shares per 10 shares. The change of share numbers as follows:

	<u>Increase / Decrease (+/-) as of the period</u>			
	<u>Before the change</u>	<u>Capitalization of public reserve</u>	<u>Sub-total</u>	<u>After the change</u>
Unlisted shares				
Promoters' shares	242,326,589	121,163,295	121,163,295	363,489,884
Including: State-owned shares	87,175,364	43,587,682	43,587,682	130,763,046
Domestic legal person's shares	155,151,225	77,575,613	77,575,613	232,726,838
Foreign legal person's shares	0	0	0	0
Others	0	0	0	0
Raised legal person's shares	28,430,284	14,215,142	14,215,142	42,645,426
Inner employees' shares	0	0	0	0
Preference shares or other	0	0	0	0
Total unlisted shares	270,756,873	135,378,437	135,378,437	406,135,310
Listed shares				
RMB ordinary shares	107,165,997	53,582,998	53,582,998	160,748,995
Domestically listed foreign shares	299,052,546	149,526,273	149,526,273	448,578,819
Overseas listed foreign shares	0	0	0	0
Others	0	0	0	0
Total listed shares	406,218,543	203,109,271	203,109,271	609,327,814
Total shares	676,975,416	338,487,708	338,487,708	1,015,463,124

ii Ended by the report period, the Company had totally 55,598 shareholders, of them, 24,346 shareholders of A-share and 31,252 shareholders of B-share.

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

<u>Full name of shareholders</u>	<u>Increase/ Decrease in the report period</u>	<u>Shares held at the report period-end</u>	<u>Proportion (%)</u>	<u>Type of shares</u>	<u>Shares pledged/ frozen</u>	<u>Nature of Shareholders</u>
Yiwan Industrial Development (Shenzhen) Co., Ltd.	43,949,183	131,847,550	12.98	Non-circulating		
China North Industries Corporation	43,587,682	130,763,046	12.88	Non-circulating		State-owned shareholder
Xin Tong Chan Development (Shenzhen) Co., Ltd.	41,041,503	123,124,507	12.12	Non-circulating		
China Merchants (Glass Industry) Holding Co., Ltd.	5,507,634	16,522,902	1.63	Circulating		Foreign shareholder
Jingfu Securities Investment Fund	1,651,582	7,330,082	0.72	Circulating		
HTHK-Value Partners Intelligent FD-China B SHS FD	-3,839,388	7,225,215	0.71	Circulating		Foreign shareholder
China Merchants Securities Co., Ltd.	1,904,442	5,713,325	0.56	Non-circulating	3,514,512	
Merrill Lynch Pierce Fenner & Smith INC	1,671,290	5,013,869	0.49	Circulating		Foreign shareholder
Value Partners Intelligent Funds-Chinese Mainland Focus Fund	-3,636,518	4,554,973	0.45	Circulating		Foreign shareholder
Guotai Junan Securities Hong Kong Limited	1,939,188	3,528,317	0.35	Circulating		Foreign shareholder

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

<u>Full name of shareholders</u>	<u>Holding shares at the report period-end</u>	<u>Type of shares</u>
China Merchants (Glass Industry) Holding Co., Ltd.	16,522,902	B-share
Jingfu Securities Investment Fund	7,330,082	A-share
HTHK-Value Partners Intelligent FD-China B SHS FD	7,225,215	B-share
Merrill Lynch Pierce Fenner & Smith INC	5,013,869	B-share
Value Partners Intelligent Funds-Chinese Mainland Focus Fund	4,554,973	B-share
Guotai Junan Securities Hong Kong Limited	3,528,317	B-share
Nomura TB/ Nomura ITM	3,000,000	B-share
Barings (Ireland) SA The Atlantis China Fund PLC	2,999,891	B-share
Howard Hughes Medical Institute	2,430,611	B-share
Skandia Global Funds PLC	2,321,623	B-share

v Explanation on associated relationship or consistent action of above shareholders

Among the shareholders listed as above, it is already known that Yiwan Industrial Development (Shenzhen) Co., Ltd and Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd are holding enterprises of Shenzhen International Holdings Co., Ltd; and HTHK-Value Partners Intelligent FD-China B SHS FD and Value Partners Intelligent Funds-Chinese Mainland Focus Fund are affiliated with Value Partners Limited.

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 Change of shares held by director, supervisor and senior executives

<u>Name</u>	<u>Title</u>	<u>Shares held at the</u>	<u>Shares held at the</u>	<u>Reason of change</u>
		<u>period-begin</u>	<u>period-end</u>	
Zeng Nan	CEO & Director	67,680	101,520	Conversion of capital reserve
Sun Jingbo	Chief Financial Officer	24,816	37,224	Conversion of capital reserve

ii Particulars about changes of directors, supervisors and senior executives

The terms of the 3rd Board and the 3rd Supervisory Committee have come to an end in the report period, and members of the 4th Board and the 4th Supervisory Committee have been appointed at the Shareholders' General Meeting 2004. The 4th Board consists of directors Chen Chao, Zeng Nan, Zhou Daozhi, Li Jingqi, Liu Jun and Guo Yongchun, as well as independent directors Long Long, Yan Ganggang and Zhang Jianjun. The 4th Supervisory Committee consists of supervisors Jiao Zhiren, Yan Hai and Zhao Xijun. In the 1st meeting of the 4th Board, Mr. Chen Chao has been elected Chairman of the Board; Mr. Zeng Nan, Ms. Sun Jingbo and Mr. Wu Guobin were engaged continually to be the Company's C.E.O & president, C.F.O, Secretary of the Board respectively; it has been approved that Mr. Ke Hanqi be appointed as C.O.O., Mr. Wu Guobin as C.A.O., Mr. Yuan Dingfu as Chief Engineer Officer and Mr. Lu Wenhui as C.T.O.. The 1st meeting of the 4th Supervisory Committee has appointed Mr. Jiao Zhiren as Chairman of the Supervisory Committee.

V Discussion and Analysis of the Management

i Discussion and analysis to the operating

During the first half year of 2005, the state has continued to carry out the macro-control policy and strengthened its control over realty industry; after a 30% increase in the year 2004, the newly added productivity of float glass still rises rapidly in the upper half of this year, resulting in a more intense conflict between the market demand and supply; international crude oil price has constantly been updated with new-highs, which has led to the fuel oil running high. Therefore, the traditional glass business, which has been one of the Company's pillar industries, has suffered certain negative influence, resulting in the falling of the average selling price of float glass. It should be mentioned that stagnant building glass market with fierce competition has caused the price for main products fallen in certain range. However, the refined glass business, which has high technical content, appears steady, and its profitability advances continuously. In the 2nd quarter, the Company's achievement witnessed an obvious increase, with a profit (which is about the same as that of the same period of the last year) 78.87% more than that of the 1st quarter. But with the profit of the 1st quarter being far less than that of the same period of the last year, the profit of the upper half-year has decreased year-on-year. The management holds that, even though the operating achievement of the first half-year still has some distance from the expected goal, the Company has been successful in the strict control of customer management, accounts

receivable and inventories to better ensure the control over business risks, and all these efforts have contributed to the satisfying state of the net operating cash flow, which helps to avoid the dilemma of “being rich just on paper” and provide practical protection to all shareholders’ interests. Although the market environment of the remaining half year does not look that promising as well, the Company has already adjusted its operation strategies and adopted various measures to stand up to the changes in the market. The management maintains a prudently optimistic attitude and believes that the business goals of the year can be achieved through the following way, namely: adjusting the product structure of the float glass and increasing the proportion of high value-added products; strengthening the marketing of color filter and automotive glass; steadying the production and sales scale and profitability of ITO glass and electric ceramic products; seizing the good opportunity of the traditional booming season for building glass, stepping up with the promotion of new products, pioneering the market of the low-radiation coated glass of the environment-friendly and energy-saving type for civil use, and expanding the strengths of differentiation. In the meantime, the management is also well aware that the businesses the Company engages in are full of competition and are easily influenced by the outside business environment. To ultimately change this situation, the Company must make new disposition of the business structure from the strategic perspective. Besides employing the fine glass industry solely owned by the Company to the maximum advantage, the Company has sketched a new development plan according to the laws and regulations on energy saving and renewable resources issued by the state. The management is confident enough that the implementation of this plan will have profound influence on the Company’s business structure, and the overall competitiveness of the traditional industries such as float glass and building glass, etc will be greatly improved, thereby further consolidate and strengthen the Company’s overall competitive advantage and comprehensive economic strength.

ii Operation in the report period

(i) Scope of main operations and their operations

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. 2005</u>	<u>Jan.~Jun. 2004</u>
Sales of glass products	950,938	745,644
Sales of ceramics products	30,595	28,648
Sales of properties	12,693	64,443
Glass installation service revenue	12,669	11,512
Total	1,006,895	850,247

b. Sales classified according to location:

Unit: RMB'000

	<u>Jan.~Jun. 2005</u>	<u>Jan.~Jun. 2004</u>
PRC	792,893	634,141
United States	20,985	19,497
Australia	27,167	18,803
Others	165,850	177,806
Total	1,006,895	850,247

(ii) In the report period, profit structure, main operations and their structures did not change greatly.

(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

- a. Influenced by the macro-control policy, the increase speed of real estate and buildings investment fell drastically, and the building glass market was stagnant in demand along with the decreasing average price. All these have exerted some negative influence on the Company's traditional glass business. However, the Company is trying to minimize the disadvantageous impact from the market through adjusting the structure of float glass products, stepping up the development of new building glass products and pioneering the market of the civil-use low-radiation coated glass, which is environment-friendly and energy-saving.
- b. The production cost has increased year-on-year by a fairly large amount due to the influence from outside business environment. The Company would tighten management and improve technology, so as to lower various losses, improve productivity and the rate of yield, expand the production and sales scale, reduce unit product cost and enhance economic efficiency.
- c. The businesses the Company engages in are full of competition and are subjected to great influence from outside environment. The Company has drafted a new plan for the next step to adjust the business structure from the strategic perspectives. It is believed that the Company's overall competitiveness and economic strength would be further promoted along with the implementation of the plan.

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:

- a. Color Filter project. The Color Filter 1st Glass Line has been launched into overall production at the end of July 2004, and the 2nd Line in May 2005. By the end of the

report period, the color filter project has obtained a profit amounting to RMB 12.8 million.

- b. Top-quality special float glass project at Guangzhou CSG. The two production lines of the project have been formally launched into production at the end of November 2004 and in February 2005 respectively. Both have entered the phase of commercial massive production in the report period, with a yield rate over 80%. By the end of the report period, this project has gained a profit totaling RMB 22.19 million.
- c. Glass industrial base project at Chengdu CSG: Another sum amounting to RMB 0.35 billion has been invested into the project of the 2nd phase. Right now, the construction of the buildings has been completed basically, and the equipments are being installed. And it will be on stream on schedule.
- d. Building glass project at Guangzhou CSG. The amount put into the 1st phase of the project totaled RMB 0.25 billion, and it is expected to establish a coated glass production line using imported equipments and with a yearly output of 5 million m². Right now, the project is still at the stage of preparation.

iv The financial report of the report period has not been audited.

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 corporation governance structure, established modern enterprise system and standardized the operation of the Company. The Company formulated Rules of Procedures of the Board of Directors, Work Rules of General Manager, Conference System of CSG and others, and established Special Committee of the Board. The Shareholders' General Meeting held on 22 April 2005 has made modification to the Articles of Association, underlining the protection for social general shareholders and further perfecting the corporate structure of the Company.

ii Profit distribution plan

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

Shareholders' General Meeting 2004 held on 22 April 2005 has passed Profit Distribution Plan 2004. It is that based on the total share capital totaling 676,975,416 shares at the end of the year 2004, the dividends will be distributed to the whole shareholders in cash at the rate of RMB 2.5 (including tax) for each 10 shares, and 5 shares transferred from the capital reserve would be granted for each 10 shares. The Company published a dividend distribution notice on 20 May 2005, and the distribution almost has 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 sale 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 2005):

Unit: In 000'000

Company	Guarantee amount				Counter-guarantee amount (RMB)	Actual guarantee amount (RMB)
	RMB	EUR	USD	HKD		
Shenzhen CSG Display Technology Co., Ltd.	50.00	-	-	13.20	16.01	48.04
Shenzhen CSG Architectural Glass Co., Ltd.	-	-	0.25	-	-	2.07
Shenzhen CSG Float Glass Co., Ltd.	75.00	-	9.68	105.50	-	267.46
Shenzhen CSG Automotive Glass Co., Ltd.	38.50	-	1.30	135.60	-	193.66
Guangzhou CSG Glass Co., Ltd.	304.00	-	31.95	3.50	143.04	429.12
Tianjin CSG Architectural Glass Co., Ltd.	10.00	-	2.84	-	8.38	25.13
Chengdu CSG Glass Co., Ltd.	110.00	0.74	0.97	-	31.35	94.05
Total	587.50	0.74	46.99	257.80	198.78	1,059.53

In the report period, guarantee amount occurring for shareholding subsidiaries was about RMB 0.8 billion. Ended 30 June 2005, the Company provided the total guarantee amount of RMB 1.06 billion to shareholding subsidiaries, and it takes up 45.81% of the Company's net assets. 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 Commitments

In the report period, neither the Company nor the Shareholders holding over 5% shares (including 5%) of the Company made any commitment that would likely exert great influence on the operation achievements and financial status of the Company.

viii Punishments

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>.

<u>Date</u>	<u>Number</u>	<u>Name</u>
1 February 2005	2005-001	Notice on Resolutions of the 18 th Meeting of the 3 rd Board of Directors
22 March 2005	2005-002	Annual Report 2004, Notice on Resolutions of the 19 th Meeting of the 3 rd Board of Directors
22 March 2005	2005-003	Notice on Resolutions of the 18 th Meeting of the 3 rd Supervisory Committee
22 March 2005	2005-004	Notice on Holding the Shareholders' General Meeting 2004
7 April 2005	2005-005	Notice on Modifications to the Proposals of the Shareholders' General Meeting 2004
23 April 2005	2005-006	The 1 st Quarter Report 2005, Notice on Resolutions of Shareholders' General Meeting 2004
23 April 2005	2005-007	Notice on Resolutions of the 1 st Meeting of the 4 th Board of Directors
23 April 2005	2005-008	Notice on Resolutions of the 1 st Meeting of the 4 th Supervisory Committee
20 May 2005	2005-009	Notice on Profit Distribution 2004

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.
12 August 2005**

Financial Statements (Non-audited)

CONSOLIDATED INCOME STATEMENT ENDED 30 JUNE 2005

	Notes	Jan.~Jun. 2005 RMB'000	Jan.~Jun. 2004 RMB'000
Sales	4	1,006,895	850,247
Cost of sales		<u>(655,013)</u>	<u>(524,713)</u>
Gross profit		351,882	325,534
Other operating income		10,175	6,360
Distribution costs		(68,855)	(54,013)
Administrative expenses		(65,909)	(52,080)
Other operating expenses		<u>(553)</u>	<u>(469)</u>
Profit from operations		226,740	225,332
Finance costs, net		<u>(29,942)</u>	<u>(8,206)</u>
Profit before tax		196,798	217,126
Income tax expense		<u>(18,090)</u>	<u>(16,743)</u>
Profit after tax		178,708	200,383
Minority interests		<u>(23,556)</u>	<u>(12,759)</u>
Net profit		<u>155,152</u>	<u>187,624</u>
Earnings per share	5	<u>RMB 0.15</u>	<u>RMB 0.28</u>

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

CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2005

	Notes	30 Jun. 2005 RMB'000	31 Dec. 2004 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,792,849	2,859,457
Construction-in-progress	7	266,696	748,814
Land use rights	8	137,538	130,846
Intangible assets	9	6,784	5,505
Available-for-sale investments		8,966	9,078
Deferred tax assets		1,035	1,035
		<u>4,213,868</u>	<u>3,754,735</u>
Current assets			
Inventories	10	185,274	150,517
Properties held for sale	11	141,015	150,532
Trade receivables, other receivables and prepayments	12	376,944	286,057
Trading investments		-	7,847
Cash and cash equivalents	13	253,532	379,954
		<u>956,765</u>	<u>974,907</u>
Total assets		<u>5,170,633</u>	<u>4,729,642</u>
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	1,015,463	676,975
Reserves		888,247	1,226,857
Retained earnings		410,144	424,236
		<u>2,313,854</u>	<u>2,328,068</u>
Minority interests		<u>171,458</u>	<u>128,362</u>
Non-current liabilities			
Borrowings	16	687,691	562,150
Current liabilities			
Trade and other payables	14	752,652	447,906
Current tax liabilities	15	24,265	26,464
Borrowings	16	1,220,713	1,236,692
		<u>1,997,630</u>	<u>1,711,062</u>
Total equity and liabilities		<u>5,170,633</u>	<u>4,729,642</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY **ENDED 30 JUNE 2005**

	Share capital	Capital reserve	Statutory common reserve fund	Statutory public welfare fund	Hedging reserve	Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 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	-	27	-	-	-	-	-	27
Net fair value gain relating to cash flow hedge	-	-	-	-	(19,924)	-	-	(19,924)
Currency translation differences	-	-	-	-	-	(187)	-	(187)
Net profit for the year	-	-	-	-	-	-	337,806	337,806
Appropriation to reserve funds	-	-	33,902	16,950	-	-	(50,852)	-
Balance at 31 December 2004 and 1 January 2005	676,975	927,929	186,427	112,001	0	500	424,236	2,328,068
Dividend relating to 2004	338,488	(338,488)	-	-	-	-	(169,244)	(169,244)
Capital exchange reserve recognised in current year	-	5	-	-	-	-	-	5
Net fair value gain in current year relating to cash flow hedge	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	(127)	-	(127)
Net profit for the year	-	-	-	-	-	-	155,152	155,152
Appropriation to reserve funds	-	-	-	-	-	-	-	-
Balance at 30 June 2005	1,015,463	589,446	186,427	112,001	0	373	410,144	2,313,854

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

**CONSOLIDATED CASH FLOW STATEMENT
ENDED 30 JUNE 2005**

	Notes	Jan.~Jun. 2005 RMB'000	Jan.~Jun. 2004 RMB'000
Cash flows from operating activities			
Cash generated from operations	18	398,362	277,713
Interest paid		(31,660)	(14,326)
Income tax paid		(10,119)	(13,295)
Net cash from operating activities		356,583	250,092
Cash flows from investing activities			
Purchase of property, plant and equipment		(433,849)	(520,032)
Purchase of land use rights		(600)	-
Purchase of intangible assets		(63)	-
Purchase of trading investments		-	(932)
Proceeds from sale of trading investments		-	687
Pledged bank deposits reclaimed		13,109	-
Proceeds from sale of property, plant and equipment		800	719
Interest received		692	940
Net cash used in investing activities		(419,911)	(518,618)
Cash flows from financing activities			
Proceeds from borrowings		1,294,069	1,432,378
Repayments of borrowings		(1,191,615)	(841,543)
Dividends paid to shareholders		(162,221)	(119,457)
Dividends paid to minority interests		(20,387)	(11,726)
Capital contributed by minority shareholders		39,932	-
Pledged bank deposits withdrawn		338	(806)
Net cash generated from financing activities		(39,884)	458,846
Effect of exchange rate changes		(9,047)	63
Net increase (decrease) in cash and cash equivalents		(112,259)	190,383
Cash and cash equivalents at beginning of year		307,449	213,859
Cash and cash equivalents at end of year	13	195,190	404,242

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ENDED 30 JUNE 2005

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 float glass and glass products; buying and sales on behalf of glass and glass products; consultation service for technology, equipment and information of glass production and products; production of modern ceramic products; installation and decorating of architectural glass; development and management of real estate. The business activities of its subsidiaries are shown in Note 19.

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 as modified by the revaluation of forward contract assets and available-for-sale investments. 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.

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) 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 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 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	5 - 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 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, 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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (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.

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 first-half-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.

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.

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.

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 performed.

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.

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 amortised 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 foreign currencies. The forward contracts used in its programme mature in twelve months or less are, consistent with the related purchase commitments.

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 Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results 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 or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the same period during which the hedged firm commitment or forecasted transaction affects the income statement.

E 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.

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.

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.

4. Sales

(a) Business segment

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

	Jan.~Jun. 2005 RMB'000	Jan.~Jun. 2004 RMB'000
Sales of glass products	950,938	745,644
Sales of ceramics products	30,595	28,648
Sales of properties	12,693	64,443
Glass installation service revenue	<u>12,669</u>	<u>11,512</u>
	<u>1,006,895</u>	<u>850,247</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. 2005 RMB'000	Jan.~Jun. 2004 RMB'000
PRC	792,893	634,141
United States	20,985	19,497
Australia	27,167	18,803
Others	<u>165,850</u>	<u>177,806</u>
	<u>1,006,895</u>	<u>850,247</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 first half year.

	30 June 2005	30 June 2004
Net profit attributable to shareholders (RMB)	155,152,000	187,624,000
Weighted average number of ordinary shares in issue (Number)	1,015,463,000	676,975,000
Basic earnings per share (RMB per share)	<u>0.15</u>	<u>0.28</u>

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

6. Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles and others RMB'000	Total RMB'000
Cost				
31 December 2004	716,847	2,803,869	162,626	3,683,342
Increase in report period	219,250	820,276	6,275	1,045,801
Decrease in report period	-406	-3,717	-3,322	-7,445
30 June 2005	<u>935,691</u>	<u>3,620,428</u>	<u>165,579</u>	<u>4,721,698</u>
Accumulated depreciation				
31 December 2004	-103,521	-630,490	-81,905	-815,916
Decrease in report period	-12,724	-87,660	-7,132	-107,516
Increase in report period	37		2,515	2,552
30 June 2005	<u>-116,208</u>	<u>-718,150</u>	<u>-86,522</u>	<u>-920,880</u>
Provision for impairment				
31 December 2004	-5,634	-2,262	-73	-7,969
Increase in report period				
Decrease in report period				
30 June 2005	<u>-5,634</u>	<u>-2,262</u>	<u>-73</u>	<u>-7,969</u>
Net book amount				
30 June 2005	<u>813,849</u>	<u>2,900,016</u>	<u>78,984</u>	<u>3,792,849</u>
31 December 2004	<u>607,692</u>	<u>2,171,117</u>	<u>80,648</u>	<u>2,859,457</u>

7. Construction-in-progress

	30 June 2005 RMB'000	31 December 2004 RMB'000
Opening net book amount	748,814	559,601
Additions	419,231	1,118,104
Transfer to property, plant and equipment	(901,349)	(928,891)
Impairment charge	-	-
	<u>266,696</u>	<u>748,814</u>
Represented by:		
Cost at end of the year	271,940	754,058
Provision for impairment	(5,244)	(5,244)
Net book amount	<u>266,696</u>	<u>748,814</u>

8. Land use rights

	30 June 2005 RMB'000	31 December 2004 RMB'000
Opening net book amount	130,846	91,283
Additions	8,768	43,053
Amortisation charge	(2,076)	(3,490)
Closing net book amount	<u>137,538</u>	<u>130,846</u>
Represented by:		
Cost at end of report period	173,006	164,238
Accumulated amortisation at end of report period	(35,468)	(33,392)
Net book amount	<u>137,538</u>	<u>130,846</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 30 to 50 years. The period of use is the land use period granted according to the land use right certificate. As of 30 June 2005, 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	1,207	13,960	-9,662	5,505
Additions	287	-	-	287
Amortisation charge	(561)	(339)	1,892	992
Closing net book amount	<u>933</u>	<u>13,621</u>	<u>-7,770</u>	<u>6,784</u>
At 30 June 2005				
Cost	4,216	15,399	-17,075	2,540
Accumulated amortisation	(3,283)	(1,778)	9,305	4,244
Net book amount	<u>933</u>	<u>13,621</u>	<u>-7,770</u>	<u>6,784</u>

10. Inventories

	30 June 2005 RMB'000	31 December 2004 RMB'000
Raw materials (at cost)	98,031	91,947
Work-in-progress (at cost)	21,434	11,067
Finished goods (at cost)	68,533	50,226
	<u>187,998</u>	<u>153,240</u>
Less: provision	<u>(2,724)</u>	<u>(2,723)</u>
	<u>185,274</u>	<u>150,517</u>

11. Properties held for sale

	30 June 2005 RMB'000	31 December 2004 RMB'000
Opening net book amount	150,532	231,558
Additions	1,077	42,323
Sale	(17,740)	(189,487)
Write back of net realisable value provision	<u>7,146</u>	<u>66,138</u>
Closing net book amount	<u>141,015</u>	<u>150,532</u>
Represented by:		
Cost at end of the first half year	241,366	258,029
Provision for net realisable value at end of the first half year	<u>(100,351)</u>	<u>(107,497)</u>
Net book amount	<u>141,015</u>	<u>150,532</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 2005 RMB'000	31 December 2004 RMB'000
Accounts receivable	293,024	216,637
Notes receivable	<u>45,080</u>	<u>36,888</u>
	338,104	253,525
Less: provision for doubtful accounts	<u>(6,436)</u>	<u>(5,840)</u>
	<u>331,668</u>	<u>247,685</u>
Prepayments	8,119	21,946
Other receivables	<u>37,157</u>	<u>16,426</u>
	<u>376,944</u>	<u>286,057</u>

13. Cash and cash equivalents

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

	30 June 2005 RMB'000	31 December 2004 RMB'000
Cash in hand	215	178
Cash at banks	253,317	379,776
	253,532	379,954
Less: pledged bank deposits (Note (a))	(58,342)	(72,505)
Cash and cash equivalents	195,190	307,449

14. Trade and other payables

	30 June 2005 RMB'000	31 December 2004 RMB'000
Trade payable	466,202	298,103
Notes payable	143,269	39,324
Deposits from customers	31,971	32,679
Salary payable and welfare payable	5,504	14,557
Accruals	40,643	27,500
Dividend payable	2,877	1,275
Others	62,186	34,468
	752,652	447,906

15. Current tax liabilities

	30 June 2005 RMB'000	31 December 2004 RMB'000
Provision for income tax	11,817	12,379
Value-added tax payable	10,803	9,544
Business tax payable	1,497	3,759
Others	148	782
	24,265	26,464

16. Borrowings

	30 June 2005	31 December 2004
	RMB'000	RMB'000
Current		
- Bank loans	<u>1,220,713</u>	<u>1,236,692</u>
Non-current		
- Bank loans	<u>687,691</u>	<u>562,150</u>
	<u>1,908,404</u>	<u>1,798,842</u>

As of 30 June 2005, all borrowings were unsecured.

The effective interest rates of these bank loans were ranging from 1.7% to 5.85% (2004: 0.80% to 5.84%).

As at 30 June 2005, the Group has unused bank facilities totalling RMB1,689,510,000 (31 December 2004: RMB1,538,410,000).

17. Share capital

	30 June 2005	31 December 2004
	RMB'000	RMB'000
Authorised, issued and fully paid		
Unlisted shares		
Shares owned by domestic legal persons	<u>406,135</u>	<u>270,757</u>
Listed shares		
A Shares	160,749	107,166
B Shares	<u>448,579</u>	<u>299,052</u>
	<u>609,328</u>	<u>406,218</u>
	<u>1,015,463</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.

The reason of share capital increase is capitalization of capital reserved 5 shares per 10 shares that the Shareholder's General Meeting resolution was been passed on 22 April 2005.

18. Cash generated from operations

	Jan.~Jun. 2005 RMB'000	Jan.~Jun. 2004 RMB'000
Net profit	155,152	187,624
Adjustments for:		
Minority interests	23,556	12,759
Income tax expense	18,090	16,743
Depreciation	107,516	71,871
Amortisation of intangible assets	(992)	(190)
Amortisation of land use rights	2,076	1,739
Loss/(Profit) on disposals of property, plant and equipment	234	(118)
Write back of net realisable value provision for properties held for sale	(7,146)	(365)
Provision/(Write back of provision) for doubtful receivables	627	873
Interest expense	31,660	14,326
Interest income	(692)	(940)
	<u>330,081</u>	<u>304,322</u>
Changes in working capital:		
Inventories	(34,757)	(24,174)
Properties held for sale	16,663	23,313
Trade receivables, other receivables and prepayments	(39,405)	(60,917)
Trade and other payables	<u>125,780</u>	<u>35,169</u>
	<u>398,362</u>	<u>277,713</u>

19. Principal subsidiaries

As of 30 June 2005, 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 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	75%
CSG (HK) Limited	Hong Kong	Glass trading	100%
Chengdu CSG Glass Company Limited	PRC	Production of glass (not yet commented operation)	75%
Dongguan CSG Nantian Shanzhuang Management Co., Ltd.	PRC	Property management and indoor decoration	100%
Sichuan Luxian Silica Sand Co., Ltd.	PRC	Mining of silica sand (not yet commented operation)	99.5%

On 12 May 2005, Shenzhen CSG Wellight Coating Glass Co., Ltd. consolidated Shenzhen Hong Da Mirrors Limited and Shenzhen CSG Safety Glass Co., Ltd.. Shenzhen Hong Da Mirrors Limited and Shenzhen CSG Safety Glass Co., Ltd. were been cancelled, and the liability & financial claim of these two company will be transfer to Shenzhen CSG Wellight Coating Glass Co., Ltd.. Shenzhen CSG Wellight Coating Glass Co., Ltd. consolidated has registered, and the registration number is SS Zi N80611.

SUPPLEMENTARY INFORMATION

ENDED 30 JUNE 2005

The impact of IFRS adjustments on PRC Accounts are as follows:

	Net consolidated profit for the first half year ended 30 June 2005 RMB'000	Net consolidated assets as at 30 June 2005 RMB'000
As per the PRC statutory financial statements	149,964	2,309,411
Impact of IFRS adjustments:		
Recognition of deferred income tax	-	1,035
Derecognition of deferred pre-operating expenses and other assets	5,188	(3,408)
Recognition of sales of properties based on transfer of title	-	-
After IFRS adjustments	<u>155,152</u>	<u>2,313,854</u>