CSG HOLDING CO., LTD.

THE THIRD QUARTER REPORT 2005

CEO:ZENG NAN

October 2005

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

I Important Notice

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 No director stated that he (she) could not ensure the correctness, accuracy and completeness of the contents or had objection of this report.
iii Director Zhou Daozhi authorized Long Long to vote on behalf of him by written form.
iv The third quarter financial report of 2005 has not been audited.
v 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.
vi 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
E-mail	securities@csgholding.com	securities@csgholding.com

ii Financial Information

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

	30 September 2005	**31 December 2004**	**Increase/decrease in amount at the report period-end from the end of last year (%)**
Total assets	5,363,583	4,729,642	13.40%
Shareholders' equity	2,409,728	2,328,068	3.51%
Equity per share	RMB 2.37	RMB 3.44	-31.10
	The 3rd quarter of 2005	**From 1 January to 30 September, 2005**	**Increase/decrease in amount in the report period from the same period of previous year (%)**
Net cash flow from operating activities	-	608,010	-
Earning per share	RMB 0.095	RMB 0.247	-28.03
Return on equity (%)	3.98	10.42	Increased 0.05

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

(ii) Income Statement

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

	The 3rd quarter of 2005 RMB'000	The 3rd quarter of 2004 RMB'000	From January to September, 2005 RMB'000	From January to September, 2004 RMB'000
Sales	616,327	483,908	1,623,222	1,334,155
Cost of sales	(412,376)	(297,085)	(1,067,389)	(821,798)
Gross profit	203,951	186,823	555,833	512,357
Other operating income	7,147	1,134	17,322	7,494
Distribution costs	(44,185)	(30,146)	(113,040)	(84,159)
Administrative expenses	(45,864)	(40,802)	(111,773)	(92,882)
Other operating expenses	(1,270)	(169)	(1,823)	(638)
Profit from operations	119,779	116,840	346,519	342,172
Finance costs, net	397	(10,243)	(29,545)	(18,449)
Profit before tax	120,176	106,597	316,974	323,723
Income tax expense	(3,105)	(8,973)	(21,195)	(25,716)
Profit after tax	117,071	97,624	295,779	298,007
Minority interests	(21,078)	(8,451)	(44,634)	(21,210)
Net profit	95,993	89,173	251,145	276,797
Earnings per share	RMB 0.095	RMB 0.132	RMB 0.247	RMB 0.409

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: 58,477 (including 27,035 of A-share and 31,442 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
China Merchants (Glass Industry) Holding Co., Ltd.	16,522,902	B
Shenzhen Yuquan Investment Co., Ltd.	7,507,394	A
KGI Asia Limited	6,868,345	B
Xuan Wei Co., Ltd.	6,227,769	B
Deutsche Bank AG London	4,383,395	B
China Merchants Securities Hong Kong Ltd.	4,038,476	B
Gguotai Junan Securities Hong Kong Ltd.	3,626,083	B
Barings (Ireland) SA the Atlantis China Fund PLC	3,499,891	B
Labor Union Committee of Tianjin CIMC North Ocean Container Co., Ltd.	3,170,100	A
TOYO Securities Asia Limited-A/C Client	2,653,521	B

III Discussion and analysis of the operation

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

Although the overall business environment of the industry made no turn for the good during the 3rd quarter, the series of operation and management measures adopted by the Company worked effectively. In this period, with the prices of main products sliding down and costs climbing, the Company has managed to realize an income of RMB 616.33 million from main businesses and a net profit of RMB 95.99 million, both higher than that of the 2nd quarter. In the report period, competition in the float glass business grew fiercer and prices kept going down. However, the Company had taken the strategy of differentiating products, and increased the production and sales volume of high-value-added products. Thus, both the sales income and the net profit managed to remain at the same level in terms of chain relative ratio. The Company had seized the peak period of the building glass business, orders for various products came in rich and production had been carried on at full capacity. Even though the prices of these products also went down, the sales income and the net profit obtained still exceeded that of the 2nd quarter by a fairly large margin. ITO glass and Color Filters, the two main products of the fine glass industry, showed good growth momentum. Especially the Color Filter, its monthly production and sales volume had topped 35 thousand, and its sales income and profit realized had also indicated obvious growth compared with that of the 2nd quarter. Looking to the 4th quarter, although the market demand may become weak as the year comes to the end, the management level believes that the Company would be able to maintain the good development momentum of the 3rd quarter and ensure the realization of the annual production and operation targets.

(i) Industry or product of main business accounting for 10% of income or total profit from main business
√Applicable □Non-applicable

Industry	**Income from January to September, 2005 (RMB'000)**	**Income from January to September, 2004 (RMB'000)**
Sales of glass products	1,526,656	1,170,997

(ii) Features of the periodicity and seasonality of the Company's operation
□Applicable √Non-applicable

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

(iv) Explanation of reason of significant change of main business and its structure compared with the previous report period
□Applicable √Non-applicable

(v) Explanation of reason of significant change of profitability capability of main business (gross profit radio) compared with the previous year
□Applicable √Non-applicable

ii Explanation and analysis of significant events and its effect as well as its counter measure
□Applicable √Non-applicable

iii Explanation on the change of accounting policy, accounting estimate and consolidation

scope as well as the reason for significant accounting false
□Applicable √Non-applicable

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

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

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

vii Special commitment made by original shareholders of circulation during the period of Share Merger Reform and its implementation
□Applicable √Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
18 October 2005

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

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CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2005

	30 September 2005 RMB'000	31 December 2004 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,746,367	2,859,457
Construction-in-progress	504,862	748,814
Land use rights	136,366	130,846
Intangible assets	6,737	5,505
Available-for-sale investments	8,798	9,078
Deferred tax assets	1,035	1,035
	4,404,165	3,754,735
Current assets		
Inventories	181,460	150,517
Properties held for sale	131,043	150,532
Trade receivables, other receivables and prepayments	444,031	286,057
Derivative financial instruments	-	7,847
Cash and cash equivalents	202,884	379,954
	959,418	974,907
Total assets	5,363,583	4,729,642
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,015,463	676,975
Reserves	888,128	1,226,857
Retained earnings	506,137	424,236
	2,409,728	2,328,068
Minority interests	200,824	128,362
Non-current liabilities		
Borrowings	778,669	562,150
Current liabilities		
Trade and other payables	795,462	447,906
Current tax liabilities	27,748	26,464
Borrowings	1,151,152	1,236,692
	1,974,362	1,711,062
Total equity and liabilities	5,363,583	4,729,642

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005

	From January to September, 2005 RMB'000	From January to September, 2004 RMB'000
Cash flows from operating activities		
Cash generated from operations	694,510	404,586
Interest paid	(57,903)	(22,615)
Income tax paid	(28,597)	(23,817)
Net cash from operating activities	608,010	358,154
Cash flows from investing activities		
Purchase of property, plant and equipment	(745,354)	(780,026)
Purchase of land use rights	(4,545)	-
Purchase of intangible assets	(63)	-
Purchase of trading investments	-	(932)
Pledged bank deposits withdrawn	19,620	-
Proceeds from sale of trading investments	-	1,306
Purchase from sale of property, plant and equipment	903	818
Interest received	981	1,219
Net cash used in investing activities	(728,458)	(777,615)
Cash flows form financing activities		
Proceeds from borrowings	1,987,350	2,281,351
Repayments of borrowings	(1,863,301)	(1,569,865)
Dividends paid to shareholders	(167,907)	(121,432)
Dividends paid to minority interests	(20,387)	(11,726)
Capital contributed by minority shareholders	48,213	13,991
Pledged bank deposits withdrawn	368	484
Net cash generated from financing activities	(15,664)	592,803
Effect of exchange rate changes	(12,745)	(216)
Net decrease in cash and cash equivalents	(148,857)	173,126
Cash and cash equivalents at beginning of year	307,449	213,859
Cash and cash equivalents at end of report period	158,592	386,985