CSG HOLDING CO., LTD.

2005 ANNUAL REPORT SUMMARY

CEO:ZENG NAN

March 2006

§1 Important Notice

1.1 The board of directors, the supervisory committee, all directors and supervisors and the senior management of CSG Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no fictitious statements, serious misleading or important omissions information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents. The 2005 annual report summary is abstracted from the full text of annual report. And the investors are suggested to read the full text of the Annual Report to understand more details.

1.2 No director, supervisors and senior executives stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

1.3 All directors attended the Board meeting.

1.4 Pricewaterhouse Coopers CPAs issued standard unqualified Auditor's Report for the Company.

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

§2 Company Profile

2.1 Basic information

Short form of stock	Southern Glass A, Southern Glass B
Stock code	000012, 200012
Listed stock exchange	Shenzhen Stock Exchange
Registered address and office address	CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, China
Post code	518067
Internet web site	http://www.csgholding.com
E-mail	csg@csgholding.com

2.2 Contact person and method

	Secretary of the Board of Directors	**Securities Affairs Representative**
Name	Wu Guobin	Li Tao
Address	CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, China	CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, China
Telephone	(86) 755-26860666	(86) 755-26860666
Fax	(86) 755-26692755	(86) 755-26692755
E-mail	securities@csgholding.com	securities@csgholding.com

§3 Summary of Accounting Data and Financial Indexes

3.1 Major accounting data

Unit: RMB'000

	2005	2004	Increase/Decrease over last year (%)	2003
Sales	2,293,980	1,849,421	24.04	1,320,900
Gross profit	731,651	629,005	16.32	475,369
Net profit	318,660	337,806	-5.67	202,632
Net cash from operating activities	896,741	530,905	68.91	394,075
	At the end of 2005	**At the end of 2004**	**Increase/Decrease from the end of previous year (%)**	**At the end of 2003**
Total assets	5,524,264	4,729,642	16.80	3,526,990
Shareholders' equity	2,487,091	2,328,068	6.83	2,132,202

3.2 Major financial indexes

Unit: RMB

	2005	2004	Increase/Decrease over last year (%)	2003
Earnings per share	0.31	0.50	-38.00	0.30
Return on equity (%)	12.81	14.51	-1.70	9.50
Net cash flows from operating activities per share	0.88	0.78	12.82	0.58
	At the end of 2005	**At the end of 2004**	**Increase/Decrease from the end of previous year (%)**	**At the end of 2003**
Equity per share	2.45	3.44	28.78	3.15

3.3 Difference on net profit as audited by Chinese Accounting Standard (CAS) and International Accounting Standard (IAS)

√ Applicable ☐ Inapplicable

Unit: RMB'000

	CAS	IAS
Net profit	316,412	318,660
Explanation on difference	Recognition of deferred income tax 2,192 Derecognition of deferred pre-operating expenses and other assets 1,741 Reversal of amorstisation of goodwill and derecognition of negative goodwill (1,685)	

§4 Changes in Share Capital and Particulars about Shareholders

4.1 Statement of change in share capital

Unit: Share

	Before the change		Increase / Decrease in the period		After the change	
	Amount	Proportion	Capitalization of public reserve	Amount	Proportion	Capitalization of public reserve
I Unlisted shares	270,756,873	40.00%	135,378,437	135,378,437	406,135,310	40.00%
i Promoters' shares						
Including: State-owned shares	87,175,364	12.88%	43,587,682	43,587,682	130,763,046	12.88%
Domestic legal person's shares	155,151,225	22.92%	77,575,613	77,575,613	232,726,838	22.92%
Foreign legal person's shares	-	-	-	-	-	-
Others	-	-	-	-	-	-
ii Raised legal person's shares	28,430,284	4.20%	14,215,142	14,215,142	42,645,426	4.20%
iii Inner employees' shares	-	-	-	-	-	-
iv Preference shares or others	-	-	-	-	-	-
II Listed shares	406,218,543	60.00%	203,109,271	203,109,271	609,327,814	60.00%
i Ordinary RMB shares	107,165,997	15.83%	53,582,998	53,582,998	160,748,995	15.83%
ii Domestically listed foreign shares	299,052,546	44.17%	149,526,273	149,526,273	448,578,819	44.17%
iii Overseas listed foreign shares	-	-	-	-	-	-
iv Others	-	-	-	-	-	-
III Total shares	676,975,416	100.00%	338,487,708	338,487,708	1,015,463,124	100.00%

4.2 Statement of shares held by the top ten shareholders and the top ten shareholders of circulating share

Total number of shareholders at the end of the year					60,294
Particulars about shares held by the top ten shareholders:					
Name of shareholders	Nature of share-holders	Proportion	Total amount of shares held	Amount of non-circulating shares held	Number of share pledged or frozen
Yiwan Industrial Development (Shenzhen) Co., Ltd.		12.98	131,847,550	131,847,550	0
China North Industries Corporation	State-owned shareholder	12.88	130,763,046	130,763,046	0
Xin Tong Chan Development (Shenzhen) Co., Ltd.		12.12	123,124,507	123,124,507	0
China Merchants (Glass Industry) Holding Co., Ltd.	Foreign shareholder	1.63	16,522,902	0	Unknown
Xuanwei Co., Ltd.	Foreign shareholder	0.84	8,500,060	0	Unknown
Shenzhen Yuquan Investment Co., Ltd.		0.81	8,239,294	0	0
KGI Asia Limited	Foreign shareholder	0.59	5,996,695	0	Unknown
China Merchants Securities Co., Ltd.		0.56	5,713,325	5,713,325	3,514,512
Deutsche Bank AG London	Foreign shareholder	0.43	4,383,395	0	Unknown
Jing, Ning	Foreign shareholder	0.40	4,060,000	0	Unknown

Particulars about the shares held by the top ten shareholders of circulating share:		
Name of shareholders	**Holding shares at the year-end (share)**	**Type of shares**
China Merchants (Glass Industry) Holding Co., Ltd.	16,522,902	B-share
Xuanwei Co., Ltd.	8,500,060	B-share
Shenzhen Yuquan Investment Co., Ltd.	8,239,294	A-share
KGI Asia Limited	5,996,695	B-share
Deutsche Bank AG London	4,383,395	B-share
Jing, Ning	4,060,000	B-share
Barings (Ireland) SA the Atlantis China Fund Plc	3,499,891	B-share
Guotai Junan Securies Hong Kong Limited	3,393,663	B-share
TOYO Securities Asia Limited-A/C Client	2,937,471	B-share
Naito Securities Co., Ltd.	2,470,560	B-share
Explanation on associated relationship among the top ten shareholders or consistent action	There existed the associated relationship between Yiwan Industrial Development (Shenzhen) Co., Ltd., Xin Tong Chan Development (Shenzhen) Co., Ltd. and Xuanwei Co., Ltd., which controlled by Shenzhen International Holdings Limited. Except for this, there is no associated relationship had been found among the other shareholders.	

4.3 Particulars about holding shareholders and actual controller of the Company

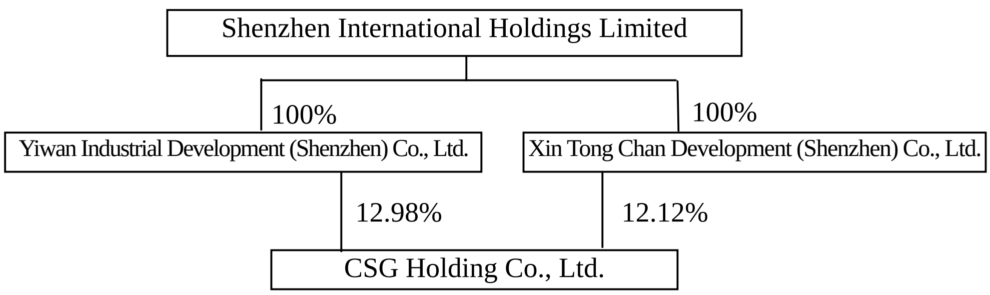
4.3.1 Particulars about change in holding shareholders and actual controller of the Company

☐ Applicable √ Inapplicable

4.3.2 Introduction of especial situation for holding shareholder and actual controller

The actual controller of the Company is Shenzhen International Holdings Limited established in Bermuda in November 1989, which listed in main board of Hong Kong Exchanges and Clearing Co., Ltd..
Chairman of the Board: Li Heihu
The Group, comprising the company and its subsidiaries and associates, is principally engaged in the provision of total logistics and transportation ancillary services as well as investment, operation and management of related assets and projects.

4.3.3 Property right and controlling relationship between the actual controller of the Company and the Company is as follows:



§5 Director, Supervisor and Senior Executive

5.1 Particulars about changes in shares held by directors, supervisors and senior executives

Name	Title	Sex	Age	Term office	Shares held at the year-begin	Share held at the year-end	Reason of change	Total Remuneration drew (RMB'0000)	Draw the Remuneration from other shareholder units or associates
Chen Chao	Chairman of the Board	Male	50	2005/4~2008/4	-	-	-	0	Yes
Zeng Nan	Director / CEO	Male	61	2005/4~2008/4	67,680	101,520	Increasing of capital reserve	79.73	No
Long Long	Independent Director	Male	50	2005/4~2008/4	-	-	-	5.00	No
Yan Ganggang	Independent Director	Male	46	2005/4~2008/4	-	-	-	5.00	No
Zhang Jianjun	Independent Director	Male	41	2005/4~2008/4	-	-	-	5.00	No
Zhou Daozhi	Director	Male	56	2005/4~2008/4	-	-	-	0	No
Li Jingqi	Director	Male	49	2005/4~2008/4	-	-	-	0	Yes
Guo Yongchun	Director	Male	38	2005/4~2008/4	-	-	-	0	Yes
Liu Jun	Director	Male	42	2005/4~2008/4	-	-	-	0	Yes
Jiao Zhiren	Chairman of the Supervisory Committee	Male	59	2005/4~2008/4	-	-	-	0	No
Yang Hai	Supervisor	Male	44	2005/4~2008/4	-	-	-	0	No
Zhao Xijun	Supervisor	Male	37	2005/4~2008/4	-	-	-	25.82	No
Ke Haiqi	Vice president	Male	40	2005/4~2008/4	-	-	-	59.57	No
Luo Youming	Chief Financial officer	Male	43	2005/11~2008/4	-	-	-	38.11	No
Zhang fan	Vice president	Male	40	2005/11~2008/4	-	-	-	57.91	No
Wu Guobin	Vice president / Secretary of the Board of Directors	Male	41	2005/4~2008/4	-	-	-	46.55	No
Total								322.69	—

§6 Report of the Board of Directors

6.1 Discussion and analysis of the operation

In 2005, the Company's high quality float glass, top grade deep-processing glass and fine glass and micro-electronics three large industries which have been formed leading advantage and had high complementarities had played a constructive role in withstand operating risks and difficulties in individual industry. The float glass industry occurred significant turnover and the price dropped sharply due to rapidly and continuously expansion in previous three years, the Company still realized performance of rapid increase in sales income and steady relatively in net profit. The Company totally realized sales amounting to RMB 2.294 billion and gross profit amounting to RMB 0.732 billion, and increased respectively 24.04% and 16.32% against the corresponding period of last year. The Company realized net profit amounting to RMB 0.319 billion, decreased 5.67% over last year but increased 57.26% over the same period of 2003, and gained new high net cash inflows from operating activities amounting to RMB 0.897 billion in latest year and kept top in the industries. The Company gave priority to operating traditional glass manufacturing in the past, now overspread and expended into hi-tech new type industries like high quality float glass, environmental energy-saving constructive glass, display parts and micro-electronics, photovoltaic solar energy, etc., which development strategy has made obvious results.

Float glass industry: The Company keep on going high end route, implement diversity operating strategy and improve the proportion of high extra-value products in float glass products. At the same time, the Company adopted active and efficient measures to save energy, reduce consumption, increase rate of finished products, reduce cost and increase the competitive power.

Engineering glass industry: Tianjin's product line put into production successfully, it means that the Company's engineering glass industry take an important step forward. With the increase of capacity, use of new technology and promote of new products, the Company's high quality deep-processing glass has further improved its competitive in the market, maintained those products to keep the number one brand and market share in domestic market continuously. Due to significant technologic progress of energy-saving glass in civil construction, the Company has started to arrange and nurture the market of civil construction with demand of Chinese energy saving policy. This market would supply huge developing space for engineering glass industry of the Company.

Fine glass and micro-electronics industry: The accomplishment of the 2nd phase production-expanding project of CF (Color Filter) has expanded the production scale of CF, decreased the cost and improved the possible of getting profit on this project. By reason of successively expansion of market share, improvement of rate of finished products and fast and efficient service, the CF products of the Company owned strong competitiveness, also supply situations for the further development of this project. The Company's ITO glass still kept big scale of produce & sale and good possible of getting profit in the market. With the market came better, the possible of getting profit of electronic component and structural ceramics articles products of the Company have been improved.

Solar energy industry: Because energy supply in the world is nervous gradually, government made the national policy to construct economy society. The Company made the plan for entering the solar energy industry according policy on energy-saving and renewable energy sources promulgated by China. The Company established Dongguan Green Energy Industrial Park in September 2005, which would be a milestone in developing history of the Company and would produce important effect on the industrial structure and operation scale of the Company.

6.2 Sales classified according to products:

Unit: RMB'000

	2005	2004
Sales of glass products	2,120,626	1,599,900
Sales of ceramics products	68,963	59,037
Sales of properties	73,574	160,762
Glass installation service revenue	30,817	29,722
Total	2,293,980	1,849,421

6.3 Sales classified according to location:

Unit: RMB'000

	2005	2004
PRC	1,968,365	1,672,889
United States	74,634	33,884
Australia	47,015	36,638
Others	203,966	106,010
Total	2,293,980	1,849,421

6.4 Application of the raised proceeds

□ Applicable √ Inapplicable

Particulars about the changed projects

□ Applicable √ Inapplicable

6.5 Application of the proceeds not raised through shares offering

√ Applicable □ Inapplicable

Unit: RMB'0000

Projects	Amount	Progress	Earnings
Project of top grade special float glasses project in Guangzhou CSG.	73,000	The two production lines of this project had been lighted successfully respectively in November 2004 and February 2005 with capacity over 360,000 tons every year.	The project had made net profit amounting to RMB 70,550,000 by the end of the report period.
Project of Chengdu CSG Glass Industry Base.	68,000	The two production lines of the project have been lighted successfully respectively in December 2005 and February 2006, the capacity would come up over 360,000 tons of high quality float glass every year after putting into production. At present, the 1st production line has entered the stage of trial production and it estimated to completely put into production the middle of 2006.	Still exists trial production period

Project of Guangzhou CSG Engineering Glass.	25,000	the project has been rebuilt into Dongguan Green Energy Industrial Park, the company was named as Dongguan CSG Enineering Glass Co., Ltd.. The project is in progress nowadays and estimated to put into production at the end of 2006.	Still under preparation
Project of solar energy super white electronic glass.	15,000	The project is in progress nowadays and estimated to put into production at the end of 2006.	Still under preparation
The project of solar energy battery.	20,200	The project exists in the stage of preparation and estimate to put into production in the beginning of 2007.	Still under preparation
The project of 3rd phase of CF.	4,800	The 1st phase and 2nd phase of CF have been put into production respectively in July 2004 and May 2005, monthly output amounts to 40,000 at present. The 3rd phase is in progress and estimated to put into production in June 2006.	In 2005 the project of CF realized net profit amounting to RMB 46.32 million.
Total	206,000	--	--

6.6 Explanation of the Board of Directors on the “Qualified Opinion” made by the CPAs

□ Applicable √ Inapplicable

6.7 The preplan of profit distribution and capitalization of capital public reserve of the Board of Directors

√ Applicable □ Inapplicable

As audited by Pricewaterhouse Coopers Zhong Tian CPAs Co., Ltd., the net profit of the Company was RMB 317,023,914. The Board of Directors proposed to make profit distribution as follows: 10% of the net profit is to be withdrew as statutory common reserve fund amounting to RMB 31,702,391 and 5% of the net profit is to be withdrew as statutory public welfare fund amounting to RMB 15,851,196. Based on the total share capital of 1,015,463,124 shares at the end of 2005, the dividends will be distributed to the whole Shareholders in cash at the rate of RMB 1.80 for every 10 shares (including tax), and the totally amounts of cash dividends is RMB 182,783,362.The aforesaid profit distribution preplan should be submitted to the 2005 Shareholders’ General Meeting for examination.

The Company didn’t appropriate share distribution preplan though the Company achieved the profit in the report period

□ Applicable √ Inapplicable

§7 Significant Events

7.1 Purchase of assets

□ Applicable √ Inapplicable

7.2 Sales of assets

□ Applicable √ Inapplicable

7.3 Significant guarantees

√ Applicable □ Inapplicable

Unit: RMB’0000

Guarantee of the Company for the controlling subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	139,072
Balance of guarantee for controlling subsidiaries at the end of the report period	99,162
Particulars about the guarantee of the Company(Including the guarantee for the controlling subsidiaries)	
Total amount of guarantee	99,162
Proportion of the total guarantee in net assets of the Company (%)	40.05%
Including:	
Total amount of the guarantee for shareholders, actual controller and correlated parties	0
The debts guarantee amount provided for the guarantee of which the assets-liability ratio exceeded 70%	58,143
Total amount of guarantee in net assets of the Company exceeded 50%	0
Total amount of guarantee aforesaid	58,143

7.4 Current related credits and liabilities

7.4.1 Related sale and purchase

☐ Applicable √ Inapplicable

7.4.2 Related credits and liabilities current

☐ Applicable √ Inapplicable

Use of funds and plan on paying off the debt

☐ Applicable √ Inapplicable

The plan could be settled down use of funds before the end of 2006 totally or not

☐ Yes ☐ No √ Inapplicable

7.5 Entrusted assets management

☐ Applicable √ Inapplicable

7.6 Implementation of commitments

7.6.1 Commitment on Share Merger Reform

1. The Content of the commitment

After the recommendation of China Merchants Securities Co., Ltd, the Company publicized the Explanations on Share Merger Reform of CSG Holding Co., Ltd on 1 March 2006 and published its summary in Securities Times, China Securities and Shanghai Securities.

Non-circulating shareholders of the Company committed in Explanations on Share Merger Reform of CSG Holding Co., Ltd:

(i) Since the implementation of Share Merger Reform, no transaction or transfer in the market within 12 months.

(ii) The original non-circulating shareholders whose total stock exceeds 5% sells the original non-circulating shares in listed transaction on Shenzhen Stock Exchange after the expiration of the above 1st item and the sales proportion of the total shares of the Company will not exceed 5% in 12 months and 10% in 24 months.

2. Implementation of commitments

The aforesaid commitments need to communicate with circulating shareholders, and implement according to the communications and correlated Shareholders' Meetings.

3. Commitment violation

☐ Applicable √ Inapplicable

7.6.2 Other Commitments

☐ Applicable √ Inapplicable

7.7 Significant lawsuit and arbitrations

☐ Applicable √ Inapplicable

§8. Report of the Supervisory Committee

☐Applicable √Inapplicable

§9. Financial Report

9.1 Auditor's opinions

Auditor's opinions: standard unqualified auditor's opinions

9.2 Financial statement

9.2.1 Balance Sheet

CSG HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2005

	2005 RMB'000	2004 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,392,810	3,608,271
Land use rights	158,954	130,846
Intangible assets	13,451	5,505
Available-for-sale financial assets	9,078	9,078
Deferred income tax assets	3,227	1,035
	4,577,520	3,754,735
Current assets		
Inventories	217,412	150,517
Properties held for sale	93,507	150,532
Trade and other receivables	350,188	286,057
Derivative financial instruments	3,416	7,847
Pledged bank deposits	54,458	72,505
Cash and cash equivalents	227,763	307,449
	946,744	974,907
Total assets	5,524,264	4,729,642
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,015,463	676,975
Other reserves	935,869	1,226,857
Retained earnings	535,759	424,236
	2,487,091	2,328,068
Minority interest	239,819	128,362
Total equity	2,726,910	2,456,430
LIABILITIES		
Non-current liabilities		
Borrowings	913,987	562,150
Current liabilities		
Trade and other payables	807,705	447,906
Current tax liabilities	24,217	26,464
Borrowings	1,049,203	1,236,692
Derivative financial instruments	2,242	-
	1,883,367	1,711,062
Total liabilities	2,797,354	2,273,212
Total equity and liabilities	5,524,264	4,729,642

9.2.2 Income Statement
CSG HOLDING CO., LTD.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 RMB'000	**2004** RMB'000
Sales	2,293,980	1,849,421
Cost of sales	(1,562,329)	(1,220,416)
Gross profit	731,651	629,005
Other gains, net	28,799	6,348
Selling and marketing costs	(162,520)	(122,291)
Administrative expenses	(118,416)	(91,169)
Other income	10,959	12,283
Other expenses	(13,440)	(4,861)
Profit from operations	477,033	429,315
Finance costs, net	(71,292)	(31,189)
Profit before income tax	405,741	398,126
Income tax expense	(24,805)	(30,463)
Profit for the year	380,936	367,663
Attributable to:		
Equity holders of the Company	318,660	337,806
Minority interest	62,276	29,857
	380,936	367,663
Earnings per share for profit attributable to the equity holders of the Company		
Basic (RMB cents per share)	31.38	33.27

9.2.3 Cash Flow Statement

CSG HOLDING CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	1,011,314	600,158
Interest paid	(86,413)	(45,412)
Income tax paid	(28,160)	(23,841)
Net cash from operating activities	896,741	530,905
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,009,352)	(1,057,622)
Purchase of land use rights	(32,588)	(43,053)
Purchase of intangible assets	(63)	(10,906)
Proceeds from sale of property, plant and equipment	5,807	2,772
Interest received	1,541	1,709
Net cash used in investing activities	(1,034,655)	(1,107,100)
Cash flows from financing activities		
Proceeds from borrowings	3,314,910	3,170,575
Repayments of borrowings	(3,142,715)	(2,327,952)
Dividends paid to Company's shareholders	(166,802)	(121,420)
Dividends paid to minority shareholders	(20,386)	(11,726)
Capital contributed by minority shareholders	69,245	18,986
Pledged bank deposits withdrawn/(placed)	18,047	(70,748)
Net cash generated from financing activities	72,299	657,715
Net increase in cash and cash equivalents	(65,615)	81,520
Cash and cash equivalents at beginning of year	307,449	213,859
Exchange (losses)/gains on cash	(14,071)	12,070
Cash and cash equivalents at end of year	227,763	307,449

9.3 Explanation on changes of accounting policy, accounting estimation and settlement method compared with the latest annual report

☐Applicable √ Inapplicable

9.4 Contents, correct amount, reason and its influence of significant accounting errors

☐Applicable √ Inapplicable

9.5 Explanation on change of consolidated scope compared with the latest annual report

√ Applicable ☐Inapplicable

a. Adding Dongguan Solar Energy Glass Co., Ltd.: the said company was formally established on Oct.26, 2006 and by the end of the report period, it is still in preparation.
b. CSG Shenzhen Weilight Coating Glass Co., Ltd.: the said company was merged into by its subsidiaries, that is Shenzhen Hongda Mirror Co., Ltd and CSG Shenzhen Safty Glass Co., Ltd, on May 12,2005. The debts and liabilities of the aforesaid companies will be transferred to CSG Shenzhen Weilight Coating Glass Co., Ltd.
c. Adding Dongguan Solar Energy Glass Co., Ltd.: the said company was formally established on Nov.9, 2005 and by the end of the report period, it is still in preparation.

Board of Directors of
CSG Holding Co., Ltd.
17 March 2006