CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2006

CEO:ZENG NAN

April 2006

I Important Notes

i The Board of Directors of CSG Holding Co., Ltd. (hereinafter referred to as the Company) and its directors hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.

ii No directors stated any objection for the correctness, accuracy and completeness of the contents of this report.

iii Director Mr. Zhou Daozhi was absent from the Board meeting due to business trip, entrusted Director Mr. Zeng Nan to vote on his behalf.

iv The first quarter financial report of 2006 has not been audited.

v Chairman of the Board of the Company Mr. Cheng Chao, CEO Mr. Zeng Nan and CFO Mr. Luo Youming 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
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E-mail	securities@csholding.com	securities@csgholding.com

ii Financial Information

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

	At the report period-end	**At the end of 2005**	**Increase/decrease from the end of 2005 (%)**
Total assets	5,787,498	5,524,264	4.765
Shareholders' equity	2,536,016	2,487,092	1.975
Equity per share	RMB 2.50	RMB 2.45	2.04
	In the report period	**The same period of the previous year**	**Increase/decrease from the same period of previous year (%)**
Net cash flow from operating activities	82,863	87,043	-4.80
Earning per share	RMB 0.046	RMB 0.078	-41.03
Return on equity (%)	1.86	2.21	Decrease 0.35

(ii) Financial Statement

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2006

	The 1st quarter of 2006 RMB'000	The 1st quarter of 2005 RMB'000
Sales	559,357	417,804
Cost of sales	(397,807)	(267,787)
Gross profit	161,550	150,017
Other operating income	1,540	2,529
Distribution costs	(43,638)	(31,360)
Administrative expenses	(37,981)	(42,102)
Other operating expenses	(206)	(355)
Profit from operations	81,265	78,729
Finance costs, net	(16,303)	(9,505)
Profit before tax	64,962	69,224
Income tax expense	(7,493)	(8,157)
Profit after tax	57,469	61,067
Minority interests	(10,315)	(8,235)
Net profit	47,154	52,832
Earnings per share	RMB 0.046	RMB 0.078

CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2006

	31 March 2006	31 December 2005
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	3,748,735	3,719,112
Construction-in-progress	844,344	673,698
Land use rights	162,639	158,954
Intangible assets	13,430	13,451
Available-for-sale investments	9,016	9,078
Deferred tax assets	754	3,227
	4,778,918	4,577,520
Current assets		
Inventories	230,819	217,412
Properties held for sale	92,944	93,507
Trade receivables	395,887	315,759
Other receivables and prepayments	52,005	34,429
Derivative financial instruments	2,869	3,416
Cash and cash equivalents	234,056	282,221
	1,008,580	946,744
Total assets	5,787,498	5,524,264
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,015,463	1,015,463
Reserves	937,639	935,869
Retained earnings	582,914	535,760
	2,536,016	2,487,092
Minority interests	250,757	239,819
Non-current liabilities		
Borrowings	994,666	913,987
Current liabilities		
Trade and other payables	939,206	809,946
Current tax liabilities	24,507	24,217
Borrowings	1,042,346	1,049,203
	2,006,059	1,883,366
Total equity and liabilities	5,787,498	5,524,264

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2006

	The 1st quarter of 2006	The 1st quarter of 2005
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	112,071	102,946
Interest paid	(23,803)	(12,310)
Income tax paid	(5,405)	(3,593)
Net cash from operating activities	82,863	87,043
Cash flows from investing activities		
Purchase of property, plant and equipment	(189,942)	(246,033)
Purchase of land use rights	(5,000)	-
Purchase of intangible assets	(176)	-
Pledged bank deposits placed	(5,004)	6,123
Purchase from sale of property, plant and equipment	483	802
Interest received	330	337
Net cash used in investing activities	(199,309)	(238,771)
Cash flows form financing activities		
Proceeds from borrowings	556,494	706,392
Repayments of borrowings	(477,599)	(544,954)
Dividends paid to Company's shareholders	(5)	-
Dividends paid to minority shareholders	-	-
Capital contributed by minority shareholders	-	-
Pledged bank deposits withdrawn	-	325
Net cash generated from (used in) financing activities	78,890	161,763
Effect of exchange rate changes	152	(4,557)
Net decrease in cash and cash equivalents	(37,404)	5,478
Cash and cash equivalents at beginning of 2006	227,763	307,449
Cash and cash equivalents at end of 1st quarter of 2006	190,359	312,927

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: 55,256 (including 23,988 of A-share and 31,268 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.	8,979,294	A
Xuan Wei Co., Ltd.	8,500,060	B
Industrial & Commercial Bank of China – Kaiyuan Securities Investment Fund	5,866,704	A
KGI Asia Limited	5,540,145	B
Jayhawk China Fund (Cayman) Ltd.	5,504,730	B
Gguotai Junan Securies Hong Kong Limited	3,993,543	B
Barings (Ireland) SA the Atlantis China Fund PLC	3,499,891	B
Deutsche Bank AG London	3,217,478	B
Toyo Securities Asia Limited-A/C Client	3,183,311	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.

In the 1st quarter of 2006, the operation of the Company was stable. There has formed three industries including float glass, architecture & auto glass, fine glass & microelectronics, they are complementary to resist the risk of the fluctuation of float glass industry. Although Shenzhen and Guangzhou Float Glass companies appeared deficit due to the unbalanced supply & demand, the high cost of main raw materials and low price of related products, the 1st line of Chengdu Float Glass has been put into production in February and realized profit in that month. Architecture & motor glass and fine glass & microelectronics exceeded estimation in the 1st quarter, and counteracted negative impact of deficit in float glass industry. Especially, architecture glass get the ample order in the off season, both production and marketing were flourishing and it's income & profit increased in a large margin compared with the same period of last year. It estimated that architecture glass will keep increase in the 2nd quarter. After adjustment of factory building and equipment and optimization of production process, Motor glass realized profit in the 1st quarter. Fine glass and microelectronic industry kept earnings. Production and marketing of Color filter increased in a large margin with increase of capacity in the 1st quarter. Electronic component grasped the opportunity firmly, adjusted products structure based on demand, and it's scale of both production and marketing reached the best level of the same period in history. The project of photovoltaic solar energy industry has been advanced smoothly as plan. Development of overseas market was successful and income from export increased in a large margin comparing with the same period of previous year.

With stabilization and ascending price of float glass, the industries of architecture &

motor glass, fine glass & microelectronics keeping development continuously in the 2nd quarter, the performance of the Company in the 2nd quarter would be improved significantly than the 1st quarter.

(i) Industry or product of main business accounting for 10% of income or total profit from main business.

√ Applicable ☐Non-applicable

Industry	**Income (RMB'000)**	**Cost (RMB'000)**	**Gross profit radio (%)**
Glass products	531,307	379,474	28.58

(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

The 1st provisional shareholders' general meeting in 2005 of the Company was held on 22 November 2005 and approved proposal on issuing short-term finance bond. The meeting agreed to issue short-term finance bond not exceeding RMB 800 million, within the scope of assessment ratified by Bank of China for current assets of the Company. On 22 March 2006, Bank of China assessed and approved the said issue of short-term finance bond.

The said short-term finance bond would be mainly underwritten by China Construction Bank Co., Ltd. and issued publicly among bonds market in the whole nation's banks by means of book filing and concentrated allotment. The 1st period short-term finance bonds would be issued on a discount basis on 10 April 2006 amounting to RMB 800 million at price of RMB 97.70 with a term of 270 days. The related documents are supposed to refer to www.chinamoney.com.cn and www.chinabond.com.cn.

The said issuance of short-term bonds would efficiently improve finance structure and reduce finance cost of the Company.

Non-operating capital occupied and pay-off scheme.

☐Applicable √ Inapplicable

iii Explanation on the change of accounting policy, accounting estimate and consolidation scope as well as the reason for significant accounting false.

□Applicable √ Non-applicable

iv Explanation of the Board of Directors and the Supervisory Committee on the “Non-standard Opinion” after audited.

□Applicable √ Non-applicable

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

□Applicable √ Non-applicable

vi Adjustment on the disclosed annual operating plan or budget.

□Applicable √ Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
28 April 2006