

Stock code: 000012 / 200012

Short form of the stock: G CSG / CSG B

Notice No.: 2006-029

CSG HOLDING CO., LTD.

## SUMMARY of SEMI-ANNUAL REPORT 2006



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CEO: ZENG NAN

August 2006

## §1 Important Notes

1.1 The board of directors, the supervisory committee, all directors, 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.

This summary is abstracted from the full text of Semi-annual Report 2006, which is published on website (<http://www.cninfo.com.cn>). And the investors are suggested to read the full text of semi-annual report to understand more details.

1.2 No director, supervisor and senior executive stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Semi-annual Report or have objection for this report.

1.3 The list of directors who absented the Board meeting.

| Name of absence director | Reason of absence   | Name of assignee |
|--------------------------|---------------------|------------------|
| Long Long                | Be away on business | Yan Ganggang     |
| Li Jingqi                | Be away on business | Liu Jun          |

1.4 The Financial statement in this report is not audited.

1.5 Chairman of the Board of the Company Mr. Chen Chao, CEO Mr. Zeng Nan and CFO Mr. Luo Youming hereby confirm that the Financial Statements of this report is true and complete.

## §2 Company Profile

### 2.1 Basic information

|                              |                                                                              |                                                                              |
|------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| <b>Short form of stock</b>   | G Southern Glass, Southern Glass B                                           |                                                                              |
| <b>Stock code</b>            | 000012、200012                                                                |                                                                              |
| <b>Listed stock exchange</b> | Shenzhen Stock Exchange                                                      |                                                                              |
|                              | <b>Secretary of the Board of Directors</b>                                   | <b>Securities Affairs Representative</b>                                     |
| <b>Name</b>                  | Wu Guobin                                                                    | Li Tao                                                                       |
| <b>Address</b>               | CSG Building, No.1, 6 <sup>th</sup> Industrial Road, Shekou, Shenzhen, China | CSG Building, No.1, 6 <sup>th</sup> Industrial Road, Shekou, Shenzhen, China |
| <b>Telephone</b>             | (86) 755-26860666                                                            | (86) 755-26860666                                                            |
| <b>Fax</b>                   | (86) 755-26692755                                                            | (86) 755-26692755                                                            |
| <b>E-mail</b>                | securities@csgholding.com                                                    | securities@csgholding.com                                                    |

## 2.2 Major Financial Data and Indexes

### 2.2.1 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                          | 1,086,593      | 946,744          | 14.77                                                                                   |
| Current liabilities                     | 2,619,457      | 1,883,367        | 39.08                                                                                   |
| Total assets                            | 6,008,947      | 5,524,264        | 8.77                                                                                    |
| Shareholders' equity                    | 2,464,882      | 2,487,091        | -0.89                                                                                   |
| Net assets per share (RMB)              | 2.43           | 2.45             | -0.82                                                                                   |
|                                         | Jan.~Jun. 2005 | Jan.~Jun. 2004   | Increase/decrease in this report period compared with the same period in last year (%)  |
| Net profit                              | 152,183        | 155,152          | -1.91                                                                                   |
| Earnings per share (RMB)                | 0.15           | 0.15             | 0                                                                                       |
| Rate of return on equity (%)            | 6.17           | 6.24             | Decreased 0.29%                                                                         |
| Net cash flow from operating activities | 239,042        | 356,583          | -32.96                                                                                  |

### 2.2.2 Items of non-recurring gains and losses

☐ Applicable    ☒ Inapplicable

### 2.2.3 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                | 152,157                                                                                                                                                              | 155,183 |
| Explanation on difference | Recognition of deferred income tax (2,694)<br>Derecognition of deferred pre-operating expenses and other assets<br>Depreciation of balance of share investment (367) | 3,087   |

### §3 Changes in Share Capital and Particulars about Shareholders

#### 3.1 Statement of change in share capital

✓ Applicable    □ Inapplicable

Unit: share

|                                       | Before the change |            | Increase / Decrease (+/-) as of the period |             | After the change |            |
|---------------------------------------|-------------------|------------|--------------------------------------------|-------------|------------------|------------|
|                                       | Amount            | Proportion | Capitalization of public reserve           | Sub-total   | Amount           | Proportion |
| <b>Restricted shares</b>              | 406,236,830       | 40.01%     | -57,029,862                                | -57,029,862 | 349,206,968      | 34.39%     |
| 1. State-owned shares                 | 0                 | 0          | 0                                          | 0           | 0                | 0          |
| 2. State-owned legal person's shares  | 130,763,046       | 12.88%     | -17,926,022                                | -17,926,022 | 112,837,024      | 11.11%     |
| 3. Other domestic shares              | 20,501,727        | 2.02%      | -3,151,544                                 | -3,151,544  | 17,350,183       | 1.71%      |
| Including:                            |                   |            |                                            |             |                  |            |
| Domestic legal person's shares Others | 20,400,207        | 2.01%      | -3,187,583                                 | -3,187,583  | 17,212,624       | 1.70%      |
| Domestic natural person's shares      | 101,520           | 0.01%      | 36,039                                     | 36,039      | 137,559          | 0.01%      |
| 4. Foreign shares                     | 254,972,057       | 25.11%     | -35,952,296                                | -35,952,296 | 219,019,761      | 21.57%     |
| Including:                            |                   |            |                                            |             |                  |            |
| Foreign legal person's shares         | 254,972,057       | 25.11%     | -35,952,296                                | -35,952,296 | 219,019,761      | 21.57%     |
| Foreign natural person's shares       | 0                 | 0          | 0                                          | 0           | 0                | 0          |
| <b>Unrestricted shares</b>            | 609,226,294       | 59.99%     | 57,029,862                                 | 57,029,862  | 666,256,156      | 65.61%     |
| 1. RMB ordinary shares                | 160,647,475       | 15.82%     | 57,029,862                                 | 57,029,862  | 217,677,337      | 21.44%     |
| 2. Domestically listed foreign shares | 448,578,819       | 44.17%     | 0                                          | 0           | 448,578,819      | 44.17%     |
| 3. Overseas listed foreign shares     | 0                 | 0          | 0                                          | 0           | 0                | 0          |
| 4. Others                             | 0                 | 0          | 0                                          | 0           | 0                | 0          |
| <b>Total shares</b>                   | 1,015,463,124     | 100%       | 0                                          | 0           | 1,015,463,124    | 100%       |

#### Shares held by the top ten restricted shareholders and restricted conditions

Unit: Share

| No | Name of the restricted shareholders               | the restricted shares held | Date to b listed | Additional listed shares | Restricted condition |
|----|---------------------------------------------------|----------------------------|------------------|--------------------------|----------------------|
| 1  | Yiwan Industrial Development (Shenzhen) Co., Ltd. | 113,256,408                | 24 May 2007      | 50,773,156               | Legal                |
|    |                                                   |                            | 24 May 2008      | 50,773,156               |                      |
|    |                                                   |                            | 24 May 2009      | 11,710,096               |                      |
| 2  | China North Industries Corporation                | 112,324,822                | 24 May 2007      | 50,773,156               | Legal                |
|    |                                                   |                            | 24 May 2008      | 50,773,156               |                      |
|    |                                                   |                            | 24 May 2009      | 10,778,510               |                      |
| 3  | Xin Tong Chan Development (Shenzhen) Co., Ltd.    | 105,763,353                | 24 May 2007      | 50,773,156               | Legal                |
|    |                                                   |                            | 24 May 2008      | 50,773,156               |                      |
|    |                                                   |                            | 24 May 2009      | 4,217,041                |                      |
| 4  | Shenzhen Yuquan Investment Co., Ltd.              | 4,604,735                  | 24 May 2007      | 4,604,735                | Legal                |
| 5  | Shenzhen Yuanxiang Business Counsellor Co., Ltd.  | 2,468,484                  | 24 May 2007      | 2,468,484                | Legal                |
| 6  | China Everbright Securities Co., Ltd.             | 1,900,856                  | 24 May 2007      | 1,900,856                | Legal                |
| 7  | China Merchants Securities Co., Ltd.              | 1,889,858                  | 24 May 2007      | 1,889,858                | Legal                |
| 8  | Shenzhen Merchants Real-estate Co., Ltd.          | 950,428                    | 24 May 2007      | 950,428                  | Legal                |
| 9  | Shenzhen Qiaoshe Industrial Co., Ltd.             | 756,223                    | 24 May 2007      | 756,223                  | Legal                |
| 10 | Bohai Oil Marketing Company (Tianjin)             | 655,249                    | 24 May 2007      | 655,249                  | Legal                |

### 3.2 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                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                | 64,188            |                          |                                 |
| Particulars about shares held by the top ten shareholders:                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                |                   |                          |                                 |
| <b>Nname of shareholders</b>                                                                    | <b>Natur</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Total amount</b>                            | <b>Proportion</b> | <b>Restricted shares</b> | <b>shares pledged or frozen</b> |
| Yiwan Industrial Development (Shenzhen) Co., Ltd.                                               | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 113,256,408                                    | 11.15%            | 113,256,408              | 0                               |
| China North Industries Corporation                                                              | State-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 112,324,822                                    | 11.06%            | 112,324,822              | 0                               |
| Xin Tong Chan Development (Shenzhen) Co., Ltd.                                                  | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 105,763,353                                    | 10.42%            | 105,763,353              | 0                               |
| Shenzhen Yuquan Investment Co., Ltd.                                                            | —                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 19,635,144                                     | 1.93%             | 4,604,735                | 0                               |
| Value Partners Classic Fund                                                                     | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 13,067,713                                     | 1.29%             | 0                        | Unknown                         |
| KGI Asia Limited                                                                                | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 8,654,235                                      | 0.85%             | 0                        | Unknown                         |
| Xuanwei Co., Ltd.                                                                               | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 8,500,060                                      | 0.84%             | 0                        | Unknown                         |
| HTHK-Value Partners Intelligent FD-China B SHS FD                                               | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 6,326,716                                      | 0.62%             | 0                        | Unknown                         |
| Credit Suisse Securities (Europe) Ltd – Jayhawk Chn FD CYM                                      | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 5,678,686                                      | 0.56%             | 0                        | Unknown                         |
| Merrill Lynch Pierce Fenner & Smith Inc                                                         | Foreign-funded                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 5,288,173                                      | 0.52%             | 0                        | Unknown                         |
| Particulars about the shares held by the top ten shareholders of circulating share:             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                |                   |                          |                                 |
| <b>Name of shareholders</b>                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>Holding shares at the report period-end</b> |                   | <b>Type of shares</b>    |                                 |
| Shenzhen Yuquan Investment Co., Ltd.                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 15,030,409                                     |                   | A-share                  |                                 |
| Value Partners Classic Fund                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 13,067,713                                     |                   | B-share                  |                                 |
| KGI Asia Limited                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 8,654,235                                      |                   | B-share                  |                                 |
| Xuanwei Co., Ltd.                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 8,500,060                                      |                   | B-share                  |                                 |
| HTHK-Value Partners Intelligent FD-China B SHS FD                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 6,326,716                                      |                   | B-share                  |                                 |
| Credit Suisse Securities (Europe) Ltd – Jayhawk Chn FD CYM                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5,678,686                                      |                   | B-share                  |                                 |
| Merrill Lynch Pierce Fenner & Smith Inc                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5,288,173                                      |                   | B-share                  |                                 |
| Barings (Ireland) SA the Atlantis China Fund PLC                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 4,999,891                                      |                   | B-share                  |                                 |
| Guotai Junan Securies Hong Kong Limited                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3,528,383                                      |                   | B-share                  |                                 |
| Value Partners Intelligent Funds-Chinese Mainland Focus Fund                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3,325,440                                      |                   | B-share                  |                                 |
| <b>Instruction on associated relationship among the above shareholders or consistent action</b> | Among shareholders as listed above, Yiwan Industrial Development (Shenzhen) Co., Ltd., Xin Tong Chan Development (Shenzhen) Co., Ltd., and Xuanwei Co., Ltd. are holding enterprises of Shenzhen International Holdings Limited.; Value Partners Classic Fund, HTHK-Value Partners Intelligent FD-China B SHS FD and Value Partners Intelligent Funds-Chinese Mainland Focus Fund belong to Value Partners Limited. Except for this, there is no associated relationship had been found among the other shareholders. |                                                |                   |                          |                                 |

### 3.3 Change in controlling shareholder and the actual controller

☐ Applicable    ☒ Inapplicable

## §4 Director, Supervisor and Senior Executives

### 4.1 Change of shares held by director, supervisor and senior executives

☒ Applicable    ☐ Inapplicable

| <b>Name</b> | <b>Title</b>                              | <b>Shares held at the period-begin</b> | <b>Shares held at the period-end</b> | <b>Reason of change</b>             |
|-------------|-------------------------------------------|----------------------------------------|--------------------------------------|-------------------------------------|
| Zeng Nan    | CEO & Vice Chairman of Board of Directors | 101,520                                | 137,559                              | Bonus shares in Share Merger Reform |

## §5 Discussion and Analysis of the Management

### 5.1 Sales classified according to products:

Unit: RMB'000

|                                    | <u>Jan.~Jun., 2006</u> | <u>Jan.~Jun., 2005</u> |
|------------------------------------|------------------------|------------------------|
| Sales of glass products            | 1,206,421              | 950,938                |
| Sales of ceramics products         | 40,088                 | 30,595                 |
| Sales of properties                | 3,221                  | 12,693                 |
| Glass installation service revenue | 22,850                 | 12,669                 |
| <b>Total</b>                       | 1,272,580              | 1,006,895              |

### 5.2 Sales classified according to location:

Unit: RMB'000

|               | <u>Jan.~Jun., 2006</u> | <u>Jan.~Jun., 2005</u> |
|---------------|------------------------|------------------------|
| PRC           | 1,056,881              | 792,893                |
| United States | 55,395                 | 20,985                 |
| Australia     | 42,890                 | 27,167                 |
| Others        | 117,414                | 165,850                |
| <b>Total</b>  | 1,272,580              | 1,006,895              |

### 5.3 Other business with significant influence upon the net profit

☐ Applicable      ☒ Inapplicable

### 5.4 Situation of associates

☐ Applicable      ☒ Inapplicable

### 5.5 Explanation on reasons of material changes in main operations and its structure

☐ Applicable      ☒ Inapplicable

### 5.6 Explanation on reasons of material changes in profitability capability of main operations (gross profit ratio) than that in the last year

☐ Applicable      ☒ Inapplicable

### 5.7 Analysis to reasons of material changes in operating results and profit structure compared with the last year

☐ Applicable      ☒ Inapplicable

### 5.8 Application of the proceeds raised through shares offering

#### 5.8.1 Application of the proceeds raised

☐ Applicable      ☒ Inapplicable

#### 5.8.2 Particulars about the changed projects

☐ Applicable      ☒ Inapplicable

### 5.9 Revising of business plan for the 2<sup>nd</sup> half year by the Board of Directors

☐ Applicable      ☒ Inapplicable

5.10 Estimation of accumulative profit from the year beginning to the end of the next report period maybe is deficit, or in comparison with the same period of the previous year, gives the warning of great change and the notice to the reasons.

☐ Applicable      ☒ Inapplicable

#### 5.11 Explanation of the management on the “Qualified Opinion” made by the CPAs

☐ Applicable      ☒ Inapplicable

#### 5.12 Explanation of the management on the change and the treatment result of the issues involved in the “Qualified Opinion” made by the CPAs in the previous year.

☐ Applicable      ☒ Inapplicable

## §6 Significant Events

### 6.1 Purchase, sales and reorganization of assets

#### 6.1.1 Purchase of assets

☐ Applicable      ☒ Inapplicable

#### 6.1.2 Sales of assets

☐ Applicable      ☒ Inapplicable

#### 6.1.3 Since the report on Assets Reorganization or Public Notice on Purchase/Sales of Assets has been published, what's the progress of the event and the influence upon the operation result and financial position in the report period?

☐ Applicable      ☒ Inapplicable

### 6.2 Significant guarantees

☒ Applicable      ☐ Inapplicable

Unit: RMB'0000

| Particulars about the external guarantee                                                                         |        |
|------------------------------------------------------------------------------------------------------------------|--------|
| Total amount of guarantee during the report period                                                               | 0      |
| Total balance of guarantee at the end of the report period (A)                                                   | 0      |
| <u>Guarantee of the Company for the controlling subsidiaries</u>                                                 |        |
| Total amount of guarantee for controlling subsidiaries in the report period                                      | 91,553 |
| Balance of guarantee for controlling subsidiaries at the end of the report period                                | 94,473 |
| <u>Particulars about the guarantee of the Company (Including the guarantee for the controlling subsidiaries)</u> |        |
| Total amount of guarantee                                                                                        | 94,473 |
| Proportion of the total guarantee in net assets of the Company (%)                                               | 38.50% |
| 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%           | 52,118 |
| Total amount of guarantee in net assets of the Company exceeded 50%                                              | 0      |
| Total amount of guarantee aforesaid                                                                              | 52,118 |

### 6.3 Current related credits and liabilities

☐ Applicable      ☒ Inapplicable

### 6.4 Significant lawsuit and arbitrations

☐ Applicable      ☒ Inapplicable

## 6.5 Notes to the other significant events and their influences and analysis on the solutions

☐ Applicable      ☒ Inapplicable

Use of funds and plan on paying off the debt

☐ Applicable      ☒ Inapplicable

## 6.6 Special commitment stated by original shareholders of tradable share in the period of Share Merger Reform and its performances

☐ Applicable      ☒ Inapplicable

## 6.7 Explanation of time and date plan on Share Merger Reform for the companies unperformed SMR

☐ Applicable      ☒ Inapplicable

Detailed reasons of commitment has been made but could not performed in time for the Companies unperformed SMR

☐ Applicable      ☒ Inapplicable

# §7 Financial Statement

## 7.1 Auditor's opinion

|                     |                                                                                  |
|---------------------|----------------------------------------------------------------------------------|
| Financial Statement | <input checked="" type="checkbox"/> Non-audited <input type="checkbox"/> Audited |
|---------------------|----------------------------------------------------------------------------------|

## 7.2 Financial Statement

### CONSOLIDATED INCOME STATEMENT ENDED 30 JUNE 2006

|                               | Jan.~Jun. 2006<br>RMB'000 | Jan.~Jun. 2005<br>RMB'000 |
|-------------------------------|---------------------------|---------------------------|
| Sales                         | 1,272,580                 | 1,006,895                 |
| Cost of sales                 | (868,260)                 | (655,013)                 |
| <b>Gross profit</b>           | 404,320                   | 351,882                   |
| Other income                  | 7,062                     | 10,175                    |
| Selling and marketing costs   | (85,032)                  | (68,855)                  |
| Administrative expenses       | (84,867)                  | (65,909)                  |
| Other expenses                | (475)                     | (553)                     |
| <b>Profit from operations</b> | 241,008                   | 226,740                   |
| Finance costs, net            | (36,028)                  | (29,942)                  |
| <b>Profit before tax</b>      | 204,980                   | 196,798                   |
| Income tax expense            | (18,341)                  | (18,090)                  |
| <b>Profit after tax</b>       | 186,639                   | 178,708                   |
| Minority interest             | (34,456)                  | (23,556)                  |
| <b>Net profit</b>             | 152,183                   | 155,152                   |
| <b>Earnings per share</b>     | RMB 0.15                  | RMB 0.15                  |

### 7.3 Notes to the financial statements

7.3.1 If any change has taken place in the accounting policy, accounting estimation and accounting error correction, provide relevant contents, reasons and influence.

☐ Applicable      ☒ Inapplicable

7.3.2 If material change has taken place in the consolidation scope, provide relevant reasons and influence.

☐ Applicable      ☒ Inapplicable

7.3.3 List notes related to the involved issues if the Company is issued a qualified opinion

**Board of Directors of  
CSG Holding Co., Ltd.  
28 July 2006**