CSG HOLDING CO., LTD.

SEMI-ANNUAL REPORT 2006

CEO:ZENG NAN

August 2006

IMPORTANT NOTICE

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.

Director Long Long & Li Jingqi authorized Yan Ganggang & Liu Jun respectively to vote on behalf of him by written form

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

The semi-annual financial report of the Company had not been audited.

CONTENTS

I Company Profile

i Legal name of the Company
In Chinese: 中国南玻集团股份有限公司 (Abbr: 南玻集团)
In English: CSG Holding Co., Ltd. (Abbr: CSG)

ii Stock exchange listed with: Shenzhen Stock Exchange
Short form of the stock and stock code (A-share): G Southern Glass (000012)
Short form of the stock and stock code (B-share): Southern Glass B (200012)

iii Registered address and office address: CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, China.
Post code: 518067
Internet website: 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, China.
Tel: (86) 755-26860666
Fax: (86) 755-26692755
E-mail: securities@csgholding.com

vi Newspapers for disclosing the information: Securities Times, China Securities Journal and Hong Kong Wen Wei Po.
Internet website designated by China Securities Regulatory Commission for publishing the Annual Report: http://www.cninfo.com.cn
The place where the Annual Report is prepared and placed: Securities Department, 4/F., CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, China.

II Financial Highlight

i Major accounting data as of the report period

Unit: RMB'000

	30 June 2006	31 December 2005	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. 2006	**Jan.~Jun. 2005**	**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

ii Differences in net profit as audited by Chinese Accounting Standards and International Accounting Standards respectively:

Unit: RMB'000

As reported under CAS:	152,157
Recognition of deferred income tax	(2,694)
Derecognition of deferred pre-operating expenses and other assets	3,087
Depreciation of balance of share investment	(367)
As reported under IAS:	152,183

III Changes in Share Capital and Particulars about the Shareholders

i Changes in share capital

(i) In the report period, the total amount of share capital did not change. Due to the Share Merger Reform, the change of the share structure is as follows:

Unit: Share

	Before the change		Increase / Decrease in the period		After the change	
	Amount	Proportion	other	Sub-total	Amount	Proportion
Restricted shares	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
Unrestricted shares	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
Total shares	1,015,463,124	100%	0	0	1,015,463,124	100%

(ii) The date for the restricted shares to be listed

Unit: Share

Date	Additional listed shares expired the restricted period	Balance of the restricted shares	Balance of the unrestricted shares
24 May 2007	170,044,294	179,162,674	387,721,631
24 May 2008	152,319,468	26,843,206	540,041,099
24 May 2009	26,705,647	137,559	566,746,746

***Note**: The aforesaid shares did not include B-share.*

(iii) 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 be 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

ii Particulars about the principal shareholders

(i) Ended by the report period, the Company had totally 64,188 shareholders, of them, 34,334 shareholders of A-share and 29,854 shareholders of B-share.

(ii) Particulars about the principal shareholders ended by the report period

Unit: Share

Particulars about the shares held by the top ten shareholders

	Name	Nature	Total amount	Proportion	Restricted shares	shares pledged or frozen
①	Yiwan Industrial Development (Shenzhen) Co., Ltd.	Foreign-funded	113,256,408	11.15%	113,256,408	0
②	China North Industries Corporation	State-funded	112,324,822	11.06%	112,324,822	0
③	Xin Tong Chan Development (Shenzhen) Co., Ltd.	Foreign-funded	105,763,353	10.42%	105,763,353	0
④	Shenzhen Yuquan Investment Co., Ltd.	—	19,635,144	1.93%	4,604,735	0
⑤	Value Partners Classic Fund	Foreign-funded	13,067,713	1.29%	0	Unknown
⑥	KGI Asia Limited	Foreign-funded	8,654,235	0.85%	0	Unknown
⑦	Xuanwei Co., Ltd.	Foreign-funded	8,500,060	0.84%	0	Unknown
⑧	HTHK-Value Partners Intelligent FD-China B SHS FD	Foreign-funded	6,326,716	0.62%	0	Unknown
⑨	Credit Suisse Securities (Europe) Ltd – Jayhawk Chn FD CYM	Foreign-funded	5,678,686	0.56%	0	Unknown
⑩	Merrill Lynch Pierce Fenner & Smith Inc	Foreign-funded	5,288,173	0.52%	0	Unknown

Particulars about the shares held by the top ten unrestricted shareholders

	Name	Unrestricted shares	Type
①	Shenzhen Yuquan Investment Co., Ltd.	15,030,409	A-share
②	Value Partners Classic Fund	13,067,713	B-share
③	KGI Asia Limited	8,654,235	B-share
④	Xuanwei Co., Ltd.	8,500,060	B-share
⑤	HTHK-Value Partners Intelligent FD-China B SHS FD	6,326,716	B-share
⑥	Credit Suisse Securities (Europe) Ltd – Jayhawk Chn FD CYM	5,678,686	B-share
⑦	Merrill Lynch Pierce Fenner & Smith Inc	5,288,173	B-share
⑧	Barings (Ireland) SA the Atlantis China Fund PLC	4,999,891	B-share
⑨	Guotai Junan Securies Hong Kong Limited	3,528,383	B-share
⑩	Value Partners Intelligent Funds-Chinese Mainland Focus Fund	3,325,440	B-share

Instruction on associated relationship among the above shareholders or consistent action	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.

(iii) There is no change on the actual controller of the Company in the report period.

IV Directors, Supervisors, Senior Executives and Employees

i Change of the shares held by directors, supervisors and senior executives in the report period

Name	**Title**	**Shares held at the beginning of the period** (share)	**Shares held at the end of the period** (share)	**Reason for change**
Zeng Nan	CEO & Vice Chairman of Board of Directors	101,520	137,559	Bonus shares in Share Merger Reform

ii Changes of directors, supervisors and senior executives in the report period

On 21 January 2006, the 4th Meeting of the 4th Board of Directors approved the application on resignation of the original Vice-president Mr. Lu Wenhui of the Company.

On 17 March 2006, the 5th Meeting of the 4th Board of Directors approved the application on resignation of the original Vice-president Mr. Yuan Dingfu of the Company.

On 12 July 2006, the 1st Extraordinary Shareholders' General Meeting 2006 approved the application on resignation of the original Chairman Mr. Jiao Zhiren of Supervisory Committee of CSG and elected Mr. Liu Sanhua as a supervisor; the 9th Meeting of the 4th Board of Directors elected Mr. Zeng Nan as the Vice Chairman of Board of Directors of CSG; the 8th Meeting of 4th Supervisory Committee elected Mr. Liu Sanhua as the Chairman of Supervisory Committee of CSG.

V Discussion and Analysis of the management

i Discussion and analysis about the operation

During the first half of 2006, the company stayed in a good state. The complementary industrial structure of float glass, processing and automobile glass, and fine glass and micro-electronics industry played an very important role to withstand the operating risk of the float glass industry. For such reasons as the imbalance of the supply and demand in the float glass market, the continuous high price of the raw materials, the continuous lower price of the float glass, and so on, the company's float glass industry had been influenced heavily in the first quarter. Facing the severe market environment, the company adopted effective measures to reduce energy consumption, strengthen interior management, adjust the product structure, increase the yield ratio of production, besides took the full advantage of the complementary industrial structure. In the second quarter, along with the float glass industry turning warm and Chengdu float glass line being on stream, the performance of the float glass industry has improved steadily. In the first half year, the performance of automobile glass has meliorated as a result of adjusting equipment structure and optimizing the production flow. Moreover, along with the state issuing the energy-saving policies and the energy price soaring continuously, the processing glass industry of the Company made great effort to develop energy-saving products and new market in order to grasp the market opportunities. The net profit of processing and automobile glass industry was 83 million dollars in the first half year, which increased tremendously comparing with the same period last year and achieved the best level in history. The fine glass and micro-electronics industry still kept strong profit ability in the first half year. The micro-electronics department grasped the market opportunity tightly and adjusted the operating strategy in time, the output & sales also achieved its best level in the same period of history. In the first half of 2006, the company realized sales of 1.275 billion dollars and net profit of 152 million dollars, which increased 26.59% and 1.46% respectively comparing with the same period of last year. Though the market environment of the second half year is still not optimistic, the company believes that it can accomplish the operating goal through strengthening the overall budget management, reinforcing to research and the market development, adjusting the product structure further, etc.

As the shortage of traditional energy becomes more severe, and its price is increasing continuously, the company has farmed the strategic plan to establish a complete industrial chain in solar photovoltaic industry according to the guide of the relevant national energy-saving and renewable energy policies and the Company’s own advantages. This plan has put into practice actively and steadily. The PV super white glass production line with capacity of 250t/d is in construction. The Solar Cell project with a yearly production of 25 Megawatts is in preparation at present. The Project of poly-silicon material with capacity over 4,500 tons gets along propitiously (The yearly output of poly-silicon of the First Phase is 1,500 tons.). At present, the Company has formally signed an agreement on this project with Yichang Municipal Government of Hubei Province, farthermore, another agreement on technology transfer has also been formally signed between the Company and Russia. The project will begin to construct in the third quarter of the year. As these projects being put into production, Solar Photovoltaic industry will become one of the foundation businesses of the Company, and will provide a strong support to the profitability in the future.

ii Operations in the report period

(i) Scope of main operations

The scope of main operations include: Researching, developing, producing and operating high-grade float glass, special glass, processing glass, fine glass, automobile glass, new-typed electronic components and structure ceramics material; Researching, developing, producing and operating Solar Photovoltaic product; Researching, developing, producing and operating energy-saving products with glass as medium; Consulting service of technology, equipment and information about float glass and processing glass; Designing and installing glass curtain wall; Real estate development and property management; Business investment.

A Sales classified according to products

Unit: RMB’000

	Jan.~Jun., 2006	Jan.~Jun., 2005
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
Total	1,272,580	1,006,895

B Sales classified according to location

Unit: RMB'000

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

(ii) In the report period, profit structure, main operations and their structure 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 operations and solutions

A As oil price in the float glass industry goes up continuously and price of major raw materials maintains high, controlling of producing cost is under great pressure. The Company has made great effort to increase production yield, decrease energy consumption and lower unit producing cost by enlarging production scale and improving producing techniques.

B As the competition in the industries the Company engaged in becomes fiercely, the Company has endeavored to improve the comprehensive competition through ameliorating the product structure, increasing the proportion of high value added products, strengthening R&D etc.

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) The actual progress and profit-making condition of some important investment projects without raising fund through share offering in the report period

A Chengdu CSG Glass Industrial Base

Line One and Line Two of Chengdu CSG were formally put into production and realized profit in February and April 2006 respectively. At present, the production yield of the lines maintains steadily at about 88% or so. In the first half year, the net profit of the project amounted to RMB 22.97 million.

B Color Filter Project

Color Filter Project (phase 3) was on stream at the beginning of July 2006. Phase 4 project is also carrying through as planned and is expected to put into production at the end of 2006.

C Dongguan CSG processing Glass Project

This project is established in Dongguan Green Energy Industrial Park. It is planned to invest RMB 250 million to establish an imported coated glass production line with yearly output of 5,000,000 square meters Low-E glass. This line will produce medium and high grade Low-E glass for civil architectures, including residential buildings. The project is now in construction and is estimated to be on stream at the end of 2006.

D Solar Photovoltaic Super White Electronic Glass Project

This project is also established in Dongguan Green Energy Industrial Park. With total investment of RMB 150 million, a Solar Photovoltaic super white glass production line with capacity of 250t/d will be set up. The yearly output of Solar Photovoltaic super white glass will be about 79,000 tons. The construction of main body has basically finished at present, and will be on stream at the end of 2006.

E Solar Photovoltaic Cell Project

The investment of the project is RMB 100 million in the first phase to establish a Solar Photovoltaic Cell production line with capacity of 25 megawatts per year. This project is in the preparation at present and is estimated to be put into production in middle of 2007.

F Poly-silicon Material Project

This project is established in Yichang Economical & Technological Development Zone of Hubei Province. It is expected to establish a production base by stage which may realize an output of poly-silicon between 4,500 tons and 5,000 tons. Investment of Phase One is estimated to be USD 150 million, poly-silicon production line with a yearly output of 1,500 tons will be set up which can produce solar energy grade silicon and electronic grade high purity poly-silicon materials as well as solar energy silicon wafer. The land for phase one project covers an area of about 500 Mus (One Mu equals to about 666.60 square meters), and its construction term is about eighteen months. The project’s technology transfer agreement has been formally signed between Russian National Institute of Rare Metal and the Company. It has been accounted into one of the three focused projects of the Eleventh Five-year Plan of Hubei Province.

iv The financial report of the 2006 semi-annual report of the Company has not been audited.

VI Significant Events

i. Company Administration

Strictly in compliance with the requirements of 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 the corporate 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 Company has carefully learned new issued Company Law and Securities Law and made modification to the Articles of Association according to its regulations, which further perfects corporate governance structure.

ii. Profit distribution plan

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

Shareholds' General Meeting 2005 held on 28 April 2006 has passed Profit Distribution Plan 2005. It is that based on the total share capital totaling1,015,463,123 shares at the end of the year 2005, the dividends will be distributed to the whole shareholders in cash at the rate of RMB 1.8 (including tax) for each 10 shares. The Company published a dividend distribution notice on China Securities Journal, Securities Times and Hong Kong Wen Wei Pao 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 of 2006.

iii. In the report period, the Company has not been involved in any significant lawsuits or arbitrations.

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) In the report period, the Company had no guarantee supplied for any legal person or natural person except for shareholding subsidiary, and the guarantees for shareholding companies all belong to guarantees supplying for loans resulted from supporting its production and operation with mode of pledge. At 30 June 2006, the guarantees of the Company are as follows:

Unit: RMB'0000

Guarantee of the Company for the controlling subsidiaries	
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
Particulars about the guarantee of the Company (Including the guarantee for the controlling subsidiaries)	
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

(iv) In the report period, the Company did not entrust others to manage cash assets. Also, there was no organization of finance entrustment.

vii. Commitment events

According to the regulations of relevant laws and rules such as Guidelines on Reform of Listed Companies by Merging Shares issued by five ministries and commissions directly under the State Council of PRC, Measures for the Administration of the Share-trading Reform of Listed Companies promulgated by CSRC, etc. The Company has implemented share merger reform in the first half year 2006 and the Company's non-tradable shareholders have committed in Notice of Share Merger Reform of CSG Holdings Co., Ltd. as follows:

(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.

The Company's non-tradable shareholders have dealt with lock-up procedures in Shenzhen Branch of China Securities Depository & Clearing Corporation Limited according to relevant regulations and implemented lock-up period commitment.

viii. Punishment

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.

ix. Index of important information

In the report period, the notices have all been published in Securities Times, China Securities Journal and internet website called http://www.cninfo.co

Date	No.	Name	Other media
24 January 2006	2006-001	Notice on Resolutions of the 4th Meeting of the 4th Board of Directors	Ta Kung Pao
20 February 2006	2006-002	Suggestive Notice on Share Merger Reform	Ta Kung Pao
1 March 2006	—	Notice on Share Merger Reform (Abstract)	Shanghai Securities
10 March 2006	2006-003	Notice on Deferring Disclosure of Communications and its Result of Share Merger Reform Plan	—
15 March 2006	2006-004	Notice on Particulars about Communications of Share Merger Reform and the Adjustment of Reform Plan	Shanghai Securities
21 March 2006	2006-005	Notice on Resolutions of the 5th Meeting of the 4th Board of Directors	Wen Wei Po
21 March 2006	2006-006	Annual Report 2005	Wen Wei Po
21 March 2006	2006-007	Notice on Holding Annual Shareholders' General Meeting 2005	Wen Wei Po
21 March 2006	2006-008	Notice on Resolutions of the 5th Meeting of the 4th Supervisory Committee	Wen Wei Po
3 April 2006	2006-009	Suggestive Notice on Issuing Short-term Finance Stock	Wen Wei Po
4 April 2006	2006-010	Notice on Holding Shareholders' Meeting Related to A Shares	Wen Wei Po
4 April 2006	2006-011	Collecting Letter for Authorized Voting for Share Merger Reform	Shanghai Securities
17 April 2006	2006-012	The first Suggestive Notice on Holding Shareholders' Meeting Related to A Shares	—
20 April 2006	2006-013	Notice on Approval for Share Reform Plan by State-owned Assets Supervision & Administration Commission of Shenzhen Municipality	—
21 April 2006	2006-014	The second Suggestive Notice on Holding Shareholders' Meeting Related to A Shares	—
26 April 2006	2006-015	Notice on Voting Results of Shareholders' Meeting Related to A Shares	—
29 April 2006	2006-016	Notice on Resolution of 2005 Annual Shareholders' General Meeting, the 1st Quarterly Report of 2006	Wen Wei Po
11 May 2006	2006-017	Notice on Share Merger Reform Progress	—
22 May 2006	2006-018	Notice on Share Merger Reform Implementation	—
23 May 2006	2006-019	Notice on Resolutions of the 7th Meeting of the 4th Board of Directors	Wen Wei Po
24 May 2006	2006-020	Notice on Changing Stock Abbreviation of A Tradable Shares and Recovering Transaction	Wen Wei Po
31 May 2006	2006-022	Notice on Fluctuation of Share Transaction	Wen Wei Po
9 June 2006	2006-021	Notice on Profit Distributions of 2005	Wen Wei Po
23 June 2006	2006-023	Notice on Resolutions of the 8th Meeting of the 4th Board of Directors	Wen Wei Po
23 June 2006	2006-024	Notice on Resolutions of the 7th Meeting of the 4th Supervisory Committee	Wen Wei Po
23 June 2006	2006-025	Notice on Holding the 1st Extraordinary Shareholders' General Meeting of 2006	Wen Wei Po

VII Financial Report

Attached hereafter.

VIII Documents for Reference

i. Original of Semi-Annual Report with the signature of CEO.

ii. Financial statement with the signature and seal of the legal representative, CEO and the chief financing supervisor.

iii. Original of the documents and public notices disclosed on the newspapers designated by CSRC in the report period.

iv. Original of the Articles of Association.

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

CSG HOLDING CO., LTD.

CONSOLIDATED INCOME STATEMENT
ENDED 30 JUNE 2006

	Note	Jan.~Jun. 2006 RMB'000	Jan.~Jun. 2005 RMB'000
Sales	4	1,272,580	1,006,895
Cost of sales		(868,260)	(655,013)
Gross profit		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)
Profit from operations		241,008	226,740
Finance costs, net		(36,028)	(29,942)
Profit before tax		204,980	196,798
Income tax expense		(18,341)	(18,090)
Profit after tax		186,639	178,708
Minority interest		(34,456)	(23,556)
Net profit		152,183	155,152
Earnings per share	5	RMB 0.15	RMB 0.15

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

CSG HOLDING CO., LTD.

CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2006

	Note	30 Jun. 2006 RMB'000	31 Dec. 2005 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	3,783,239	3,719,112
Construction-in-progress	7	948,514	673,698
Land use rights	8	168,046	158,954
Intangible assets	9	13,167	13,451
Available-for-sale investments		8,855	9,078
Deferred tax assets		533	3,227
		4,922,354	4,577,520
Current assets			
Inventories	10	247,165	217,412
Properties held for sale	11	96,173	93,507
Trade receivables, other receivables and prepayments	12	476,350	350,188
Trading investments		3,692	3,416
Cash and cash equivalents	13	263,213	282,221
		1,086,593	946,744
Total assets		6,008,947	5,524,264
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	1,015,463	1,015,463
Reserves		944,259	935,869
Retained earnings		505,160	535,759
		2,464,882	2,487,091
Minority interest		239,304	239,819
Non-current liabilities			
Borrowings	16	685,304	913,987
Current liabilities			
Trade and other payables	14	928,479	809,947
Current tax liabilities	15	29,924	24,217
Borrowings	16	1,661,054	1,049,203
		2,619,457	1,883,367
Total equity and liabilities		6,008,947	5,524,264

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

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ENDED 30 JUNE 2006

		Attributable to equity holders of the Company				
	Note	**Share capital**	**Other reserves**	**Retained earnings**	**Minority interest**	**Total equity**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2005		676,975	1,226,857	424,236	128,362	2,456,430
Derrecognition of negative goodwill	8	-	-	9,662	-	9,662
Capital contributed by minority shareholders		-	-	-	69,410	69,410
Capitalisation of other reserves		338,488	(338,488)	-	-	-
Capital exchange reserve recognised		-	(165)	-		(165)
Cash flow hedges		-	470		157	627
Currency translation differences		-	(360)		-	(360)
Profit for the year		-	-	318,660	62,276	380,936
Dividend	27	-	-	(169,244)	(20,386)	(189,630)
Appropriation to reserve funds		-	47,555	(47,555)	-	-
Balance at 31 December 2005		1,015,463	935,869	535,759	239,819	2,726,910
Balance at 1 January 2006		1,015,463	935,869	535,759	239,819	2,726,910
Increase investment of subsidiary company		-	188	-	62	250
Capital exchange reserve recognised		-	2	-	-	2
Purchase minority shareholders		-	717	-	(717)	-
Cash flow hedges		-	7,485	-	561	8,046
Currency translation differences		-	(2)	-	-	(2)
Profit for the first half year		-	-	152,183	34,456	186,639
Dividend		-	-	(182,782)	(34,877)	(217,659)
Appropriation to reserve funds		-	-	-	-	-
Balance at 30 June 2006		1,015,463	944,259	505,160	239,304	2,704,186

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

CSG HOLDING CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT
ENDED 30 JUNE 2006

	Note	Jan.~Jun. 2006	Jan.~Jun. 2005
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	18	323,335	398,362
Interest paid		(66,989)	(31,660)
Income tax paid		(17,304)	(10,119)
Net cash from operating activities		239,042	356,583
Cash flows from investing activities			
Purchase of property, plant and equipment		(434,155)	(433,849)
Purchase of land use rights		(13,208)	(600)
Purchase of intangible assets		(7,980)	(63)
Purchase of trading investments		-	-
Proceeds from sale of trading investments		-	-
Pledged bank deposits reclaimed		12,301	13,109
Proceeds from sale of property, plant and equipment		732	800
Interest received		1,801	692
Net cash used in investing activities		(440,509)	(419,911)
Cash flows from financing activities			
Proceeds from borrowings		2,114,238	1,294,069
Repayments of borrowings		(1,723,220)	(1,191,615)
Dividends paid to Company's shareholders		(180,645)	(162,221)
Dividends paid to minority shareholders		(32,616)	(20,387)
Capital contributed by minority shareholders		15,001	39,932
Pledged bank deposits withdrawn/(placed)		5,182	338
Net cash generated from financing activities		197,940	(39,884)
Effect of exchange rate changes		1,002	(9,047)
Net increase in cash and cash equivalents		(2,525)	(112,259)
Cash and cash equivalents at the beginning		227,763	307,449
Cash and cash equivalents at the end	13	225,238	195,190

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

CSG HOLDING CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
ENDED 30 JUNE 2006

1. General information

A Basis of the Company

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 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 Researching, developing, producing and operating high-grade float glass, special glass, processing glass, fine glass, automobile glass, new-typed electronic components and structure ceramics material; Researching, developing, producing and operating Solar Photovoltaic product; Researching, developing, producing and operating energy-saving products with glass as medium; Consulting service of technology, equipment and information about float glass and processing glass; Designing and installing glass curtain wall; Real estate development and property management; Business investment.

The registered address of the Company is CSG Building, No. 1 of the 6th Industrial Road, Shekou, Shenzhen, the PRC.

2. Summary of significant accounting policies

The principal accounting policies applied 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. This basis of accounting differs from that used in the statutory accounts of the Company and its principal 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 Consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

C Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

D Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements and balance sheet of the Company are presented in Renminbi ("RMB"), which is the functional and presentation currency of the Company and its principal subsidiaries.

(2) Transactions and balances

Foreign currency transactions are translated into the functional 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

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

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, such exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

E Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Cost of property, plant and equipment also includes transfers from equity of any gains/losses on cash flow hedges.

Depreciation is calculated using the straight-line method to allocate their cost 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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated 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 financial 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.

F 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.

G Land use rights

Land use rights are stated at cost and amortised over the period of lease on a straight-line basis.

H Intangible assets

(1) Computer software

Acquired computer software licenses 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).

(2) Patents and licenses

Patents and licenses are shown at historical cost and carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents and licenses over their expected useful lives of not more than 15 years.

I Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

J Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, hold to maturity, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Group has only financial assets classified as loans and receivables and available for sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses, which are recognised directly in the income statement. When available-for-sale equity instruments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Dividends on available-for-sale equity instrument are recognised in the income statement when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate return for a similar financial assets. Such impairment losses shall not be reversed.

K Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss is dependent on the whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of a particular risk associated with a highly forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flow of hedged items.

The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturing of the hedged item is more than 12 months and as a current asset or liability if the remaining maturing of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment) or a non-financial 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.

When a hedging instrument expires or is sold, or when a hedge no longer meet the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

L 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 applicable variable selling expenses.

M 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.

N Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

O Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

P Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Q Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

R Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset 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.

S Deferred income tax

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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

T 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 contributions which are calculated based on certain percentage of basic salary set by the provincial government. The Group’s contributions to the defined contribution retirement schemes are charged to the consolidated income statement when incurred.

(2) Bonus plans

The Group recognises a liability and an expense for bonuses calculated based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments.

U Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

(1) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(2) Sales of properties

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.

(3) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(4) Interest income

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.

(5) Dividend income

Dividend income is recognised when the right to receive payment is established.

V Leases

Leases in which 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 income statement on a straight-line basis over the period of the lease.

W Dividend distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which they are approved by the Company's shareholders.

X Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

3. Financial risk management

A Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk.

(1) Market risk

(i) Foreign exchange risk

Sales of the Group are mainly made to customers in the PRC while purchases are mainly from suppliers in the PRC, Japan and Europe. The Group is therefore exposed to foreign exchange risk arising from various currency exposures primarily with respect to United Stated Dollars ("USD"), Japanese Yuan ("JPY") and EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

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 12 months or less are, consistent with the related purchase commitments.

(ii) Price risk

The Group is exposed to commodity price risk. It has not used any commodity futures to hedge its price risk exposure.

(2) Credit risk

The Group has no significant concentration of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history.

(3) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by arranging banking facilities and other external financing.

(4) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group’s income and operating cash flow are substantially independent of changes in market interest rates.

The Group’s interest rate risk arises from borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

B Fair value estimation

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of quoted investments is based on current bid prices. The fair value of unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

The nominal values less any estimated impairment provision for financial assets with a maturity of less than one year, if any, are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. **Sales and segment information**

(a) Business segment

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

	Jan.~Jun., 2006	**Jan.~Jun., 2005**
	RMB’000	RMB’000
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
	1,272,580	1,006,895

Business segment information is not presented as no individual segment except glass segment accounted for more than 10% of revenue, results or net assets.

(b) Geographical segment

The Group's activities are carried out and assets are located predominantly in the PRC.

Sales for the year, by locations of customers, are analysed as follows:

	Jan.~Jun., 2006	**Jan.~Jun., 2005**
	RMB'000	RMB'000
PRC	1,056,881	792,893
United States	55,395	20,985
Australia	42,890	27,167
Others	117,414	165,850
	1,272,580	1,006,895

5. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the first half year.

	30 June 2006	**30 June 2005**
Profit attributable to shareholders of the Company (RMB)	152,183,000	155,152,000
Weighted average number of ordinary shares in issue (Number)	1,015,463,000	1,015,463,000
Basic earnings per share (RMB per share)	0.15	0.15

Diluted earnings per share for both years were not presented as the Company has no dilutive potential shares.

6. Property, plant and equipment

	Buildings	**Machinery and equipment**	**Vehicles and others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
31 December 2005	944,179	3,654,213	171,466	4,769,858
Increase in report period	176,750	613,918	22,897	813,565
Decrease in report period	(151,505)	(816,327)	(8,754)	(976,586)
30 June 2006	969,424	3,451,804	185,609	4,606,837
Accumulated depreciation				
31 December 2005	128,164	815,576	90,870	1,034,610
Decrease in report period	12,739	91,401	8,132	112,272
Increase in report period	(28,142)	(293,355)	(7,521)	(329,018)
30 June 2006	112,761	613,622	91,481	817,864
Provision for impairment				
31 December 2005	5,634	9,873	172	15,679
Increase in report period	-	-	-	-
Decrease in report period	(1,343)	(8,568)	(34)	(9,945)
30 June 2006	4,291	1,305	138	5,734
Net book amount				
30 June 2006	852,372	2,836,877	93,990	3,783,239
31 December 2005	809,925	2,828,764	80,423	3,719,112

7. Construction-in-progress

	30 June 2006 RMB'000	31 December 2005 RMB'000
Opening net book amount	673,698	748,814
Additions	1,032,639	974,373
Transfer to property, plant and equipment	(752,430)	(1,049,489)
Impairment charge	(5,393)	-
	948,514	673,698
Represented by:		
Cost at end of the year	948,514	679,091
Provision for impairment	-	(5,393)
Net book amount	948,514	673,698

8. Land use rights

	30June 2006 RMB'000	31 December 2005 RMB'000
Opening net book amount	158,954	130,846
Additions	11,395	32,588
Amortisation charge	(2,303)	(4,480)
Closing net book amount	168,046	158,954
Represented by:		
Cost at end of the report period	208,221	196,826
Accumulated amortisation at end of the report period	(40,175)	(37,872)
Net book amount	168,046	158,954

Land use rights comprise fees paid for acquiring the rights to use the land where the Group's 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 2006, 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	Total RMB'000
Opening net book amount	1,215	12,236	13,451
Additions	349	-	349
Amortisation charge	(36)	(597)	(633)
Closing net book amount	1,528	11,639	13,167
At 30 June 2006			
Cost	4,341	15,399	19,740
Accumulated amortisation	(2,813)	(3,760)	(6,573)
Net book amount	1,528	11,639	13,167

10. Inventories

	30 June 2006 RMB'000	31 December 2005 RMB'000
Raw materials (at cost)	143,747	112,412
Work-in-progress (at cost)	10,034	14,153
Finished goods (at cost)	95,834	95,595
	249,615	222,160
Less: provision	(2,450)	(4,748)
	247,165	217,412

11. Properties held for sale

	30 June 2006 RMB'000	31 December 2005 RMB'000
Opening net book amount	93,507	150,532
Additions	4,131	350
Transfer to cost of sales upon sale	(2,019)	(113,051)
Write back of impairment provision upon sale	554	55,676
Closing net book amount	96,173	93,507
Represented by:		
Cost at end of the year	147,440	145,328
Impairment provision at end of the year	(51,267)	(51,821)
Net book amount	96,173	93,507

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 and other receivables

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade receivables	328,894	293,306
Notes receivable	81,775	31,708
	410,669	325,014
Less: provision for doubtful accounts	(6,834)	(6,456)
	403,835	318,558
Prepayments	20,064	6,125
Other receivables	52,451	25,505
	476,350	350,188

13. Cash and cash equivalents

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

	30 June 2006 RMB'000	31 December 2005 RMB'000
Cash in hand	299	18,087
Cash at banks	262,914	264,134
	263,213	282,221
Less: pledged bank deposits	(37,975)	(54,458)
Cash and cash equivalents	225,238	227,763

14. Trade and other payables

	30 June 2006 RMB'000	31 December 2005 RMB'000
Trade payables	253,394	212,739
Notes payable	349,690	316,770
Payable for construction work and purchase of equipment	183,533	165,892
Advance from customers	37,522	26,010
Salary payable and welfare payable	11,819	30,106
Accruals	38,250	25,819
Dividend payable	14,220	3,717
Others	40,051	28,894
	928,479	809,947

15. Current tax liabilities

	30 June 2006 RMB'000	31 December 2005 RMB'000
Provision for income tax	11,559	11,216
Value-added tax payable	11,779	10,740
Business tax payable	724	1,394
Others	5,862	867
	29,924	24,217

16. Borrowings

	30 June 2006 RMB'000	31 December 2005 RMB'000
Current		
- Bank loans	861,054	1,049,203
- Short-term debenture payable	800,000	-
Non-current		
- Bank loans	685,304	913,987
	2,346,358	1,963,190

All of these bank loans is not mortgage loan at 30 June 2006. Short-term guarantee loan including as follows:

(a) The Company ensured RMB445,688,130 (2005: RMB340,378,401) of bank loans, including RMB88,963,402 (2005: RMB38,176,088) which has been ensured by minority shareholder.

(b) The bank loan RMB140,659,540 (2005: RMB403,122,890) has been ensured by subsidiaries.

The effective interest rates of these bank loans were ranging from 3.82% to 6.48% (2005: 1.321%~5.51%) per annum.

As at 30 June 2004, the Group has unused bank facilities totalling RMB3,535,936,600 (31 December 2005: RMB3,119,843,000).

17. Share capital

	31 December 2005	Changed by Share Merger Reform	30 June 2006
Restricted shares			
State-owned legal person's shares	130,763,046	(17,926,022)	112,837,024
Domestic legal person's shares	20,400,206	(3,187,582)	17,212,624
Foreign legal person's shares	254,972,057	(35,952,296)	219,019,761
Domestic natural person's shares	101,520	36,039	137,559
Total amount of restricted shares	406,236,829	(57,029,861)	349,206,968
Unrestricted shares			
RMB Ordinary shares	160,647,476	57,029,861	217,677,337
Domestically listed foreign shares	448,578,819	-	448,578,819
Total amount of unrestricted shares	609,226,295	57,029,861	666,256,156
Total shares	1,015,463,124	-	1,015,463,124

RMB Ordinary shares have a par value of RMB1 each and domestically listed foreign shares have a par value of HKD 1 each.

From 17 April 2006 to 25 April 2006, the Shareholder Meeting of Share Merger Reform approved the Proposal of Share Merger Reform of CSG. The register date of Share Merger Reform is on 23 May 2006, all of current shareholders registered on that day will be shared 3.55 shares per 10 shares. After Share Merger Reform, the total amount of shares of the Company is unchangeable.

18. Cash generated from operations

	30 June 2006 RMB'000	31 December 2005 RMB'000
Profit for the year	152,183	155,152
Adjustments for:		
Minority interests	34,456	23,556
Income tax expense	18,341	18,090
Depreciation	111,622	107,516
Amortisation of intangible assets	900	(992)
Amortisation of land use rights	2,336	2,076
Loss/(Profit) on disposals of property, plant and equipment	129	234
Write back of impairment provision for properties held for sale	(554)	(7,146)
Provision for doubtful receivables	381	627
Interest expense	41,666	31,660
Interest income	(1,801)	(692)
	359,659	330,081
Changes in working capital:		
Inventories	(27,382)	(34,757)
Properties held for sale	(2,112)	16,663
Trade and other receivables	(113,402)	(39,405)
Trade and other payables	106,572	125,780
	323,335	398,362

19. Principal subsidiaries

As of 30 June 2006, the Company has direct/indirect interest in the following principal subsidiaries:

Name	Place of incorporation	property	Register capital (RMB'0000)	Principal activities	Investment from the Company	Percentage of equity interest held		Incor-porate
						direct	indirect	
Shenzhen CSG Wellight Coating Glass Co., Ltd.	Shenzhen, PRC	limited	6,912	Production of coated glass	56,083,255	90%	10%	Yes
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	Shenzhen, PRC	foreign capital joint	2,310	Glass processing	23,104,499	100%	-	Yes
Hainan CSG Industrial Development Co., Ltd.	Haikou, PRC	limited	3,000	Property development	30,000,000	100%	-	Yes
CSG (Wuhan) Industrial Development Co., Ltd.	Wuhan, PRC	foreign capital joint	4,000	Property development	43,812,868	100%	-	Yes
Shenzhen CSG Architectural Glass Co., Ltd.	Shenzhen, PRC	foreign capital joint	3,200	Production of architectural glass	32,000,000	100%	-	Yes
Shenzhen CSG Spanderel and Tempglass Co., Ltd.	Shenzhen, PRC	foreign capital joint	1,500	Production of colour-coated glass	15,000,000	100%	-	Yes
Shenzhen CSG Structure Ceramics Co., Ltd.	Shenzhen, PRC	limited	3,000	Production of structural ceramic products	30,000,000	100%	-	Yes
Shenzhen CSG Electronic Co., Ltd.	Shenzhen, PRC	foreign capital joint	5,000	Production of electronic ceramic products	50,000,000	100%	-	Yes
Shenzhen CSG Curtain Wall Engineering Co., Ltd.	Shenzhen, PRC	foreign capital joint	1,200	Glass curtain wall installation	12,000,000	100%	-	Yes
Beihai CSG Real Estate Development Co., Ltd.	Beihai, PRC	limited	2,000	Property development	20,000,000	65%	35%	Yes
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	Shenzhen, PRC	foreign capital joint	USD 1,280	Production of colourful filter glass	73,624,561	70%	-	Yes
Hainan CSG Property Management Co., Ltd	Hainan, PRC	limited	500	Property management	5,000,000	-	100%	Yes
Shenzhen CSG Float Glass Co., Ltd.	Shenzhen, PRC	foreign capital joint	60,574	Production of float glass	605,736,250	100%	-	Yes
Tianjin CSG Industrial Development Co., Ltd	Tianjin, PRC	limited	2,000	Property development	20,000,000	75%	25%	Yes
CSG (Australia) Pty. Limited	Australia	limited	ASD 50	Glass trading	3,200,555	100%	-	Yes
Shenzhen CSG Automotive Glass Co., Ltd.	Shenzhen, PRC	foreign capital joint	14,000	Production of automotive glass	140,403,049	100%	-	Yes
Sichuan CSG Industrial Development Co., Ltd.	Chengdu, PRC	foreign capital joint	4,000	Property development	40,000,000	100%	-	Yes
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	Hainan, PRC	foreign capital joint	4,000	Mining of silica sand	40,000,000	100%	-	Yes
Shenzhen CSG Display Technology Co., Ltd.	Shenzhen, PRC	foreign capital joint	USD 900	Production of monitor display glass	55,867,728	75%	-	Yes
Tianjin CSG Architectural Glass Co., Ltd.	Tianjin, PRC	foreign capital joint	17,800	Glass processing	133,500,000	75%	-	Yes
CSG (HK) Limited	Hongkong, PRC	limited	HKD 50	Glass trading	530,610	100%	-	Yes
Guangzhou CSG Glass Co., Ltd.	Guangzhou, PRC	foreign capital joint	16,000	Production of float glass	120,000,000	75%	-	Yes
Chengdu CSG Glass Co., Ltd. (a)	Chengdu, PRC	foreign capital joint	13,266	Production of float glass	99,514,360	75%	-	Yes
Sichuan Luxian CSG Silica Sand Mine Co., Ltd. (b)	Huxian, PRC	limited	1,400	Mining of silica sand	13,720,000	98%	1.5%	Yes
Dongguan CSG Architectural Glass Co., Ltd. (c)	Dongguan, PRC	foreign capital joint	10,000	Glass processing	100,000,000	75%	25%	Yes
Dongguan CSG Solar Glass Co., Ltd. (d)	Dongguan, PRC	foreign capital joint	8,000	Production of solar glass	60,000,000	75%	-	Yes
Pinestep Investments Limited (e)	British Virgin lslands	foreign capital	USD 5	Trading, investment	8	-	100%	Yes

(Names of those subsidiaries incorporated in the PRC are direct translation of their Chinese names.)

(a) Chengdu CSG Glass Co., Ltd. has been approved to set up at 2 July 2004 by Sichuan Commercial Office in certificate No. SWCFRS [2004]004. This company went into operation at 31 March 2006.

(b) Sichuan Luxian CSG Silica Sand Mine Co., Ltd. established at 20 December 2004. This company is preparing to construct before 30 June 2006.

(c) Dongguan CSG Architectural Glass Co., Ltd has been approved to set up at 9 November 2005 in certificate No. SWYDGZZ [2005]0018. This company is preparing to construct before 30 June 2006.

(d) Dongguan CSG Solar Glass Co., Ltd Ltd has been approved to set up at 26 October 2005 in certificate No. SWYDGZZ [2005]0019. This company is preparing to construct before 30 June 2006.

(e) CSG (HK) limited, the subsidiary which the Company hold 100% equity, purchased the 100% equity of Pinestep Investments Limited as the price USD1 in May 2006. Then, the Company held the 100% equity of Dongguan CSG Architectural Glass Co., Ltd due to Pinestep Investments Limited held the 25% equity of Dongguan CSG Architectural Glass Co., Ltd before.

20. Classify again

Part terms of financial statements during compare term have been classified again as issued in this term.

SUPPLEMENTARY INFORMATION
ENDED 30 JUNE 2006

The impact of IFRS adjustments on PRC statutory financial statements are as follows:

	Net consolidated profit for the first half year ended 30 June 2004 RMB’000	Net consolidated assets as at 30 June 2006 RMB’000
As per the PRC statutory financial statements	152,157	2,453,691
Impact of IFRS adjustments:		
Recognition of deferred income tax	(2,694)	533
Derecognition of deferred pre-operating expenses	3,087	(3,851)
Depreciation of balance of share investment	(367)	14,509
After IFRS adjustments	152,183	2,464,882