CSG HOLDING CO., LTD.

THE THIRD QUARTER REPORT 2006

CEO:ZENG NAN

October 2006

I Important Notes

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

ii No director, supervisor or senior executive stated any objection for the correctness, accuracy and completeness of the contents of this report.

iii All directors attended the Board Meeting.

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

v Chairman of the Board of the Company Mr. Li Jingqi, CEO Mr. Zeng Nan and CFO Mr. Luo Youming hereby confirm that the Financial Report of the Third Quarter Report is true and complete.

vi This Report is prepared both in Chinese and in English. Should there be any difference in interpretation of the text between the two versions, the Chinese version shall prevail.

II Company Profile

i Basic information of the Company

Short form of the stock	Southern Glass A / Southern Glass B	**Short form before change**	G Southern Glass
Stock code	000012 / 200012		
	Secretary of the Board of directors	**Securities Affairs Representative**	
Name	Wu Guobin	Li Tao	
Address	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC	
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ii Financial Information

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

	30 September 2006	31 December 2005	Increase/decrease in amount at the report period-end from the end of last year (%)
Total assets	6,401,023	5,524,264	15.87%
Shareholders’ equity	2,569,132	2,487,092	3.30%
Equity per share	RMB 2.53	RMB 2.45	3.30%

	The 3rd quarter of 2006	From 1 January to 30 September, 2006	Increase/decrease in amount in the report period from the same period of previous year (%)
Net cash flow from operating activities	126,883	365,925	-49.53%
Earning per share	RMB 0.102	RMB 0.252	7.37%
Return on equity (%)	4.02%	9.95	Increased 0.04

(ii) Financial Statement

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

	The 3rd quarter of 2006 RMB'000	**The 3rd quarter of 2005 RMB'000**	**From January to September, 2006 RMB'000**	**From January to September, 2005 RMB'000**
Sales	786,431	616,327	2,059,011	1,623,222
Cost of sales	(533,965)	(412,376)	(1,402,225)	(1,067,389)
Gross profit	252,466	203,951	656,786	555,833
Other operating income	372	7,147	7,434	17,322
Distribution costs	(47,223)	(44,185)	(132,255)	(113,040)
Administrative expenses	(54,157)	(45,864)	(139,024)	(111,773)
Other operating expenses	5,649	(1,270)	5,174	(1,823)
Profit from operations	157,107	119,779	398,115	346,519
Finance costs, net	(17,942)	397	(53,970)	(29,545)
Profit before tax	139,165	120,176	344,145	316,974
Income tax expense	(9,788)	(3,105)	(28,129)	(21,195)
Profit after tax	129,376	117,071	316,015	295,779
Minority interests	(26,025)	(21,078)	(60,481)	(44,634)
Net profit	103,351	95,993	255,534	251,145
Earnings per share	RMB 0.102	RMB 0.095	RMB 0.252	RMB 0.247

CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2006

	30 September 2006	31 December 2005
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,504,346	3,719,112
Construction-in-progress	469,349	673,698
Land use rights	168,263	158,954
Intangible assets	12,626	13,451
Available-for-sale investments	9,016	9,078
Deferred tax assets	416	3,227
	5,164,016	4,577,520
Current assets		
Inventories	231,960	217,412
Properties held for sale	94,717	93,507
Trade receivables, other receivables and prepayments	509,855	350,188
Derivative financial instruments	3,692	3,416
Cash and cash equivalents	396,783	282,221
	1,237,007	946,744
Total assets	6,401,023	5,524,264
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,015,463	1,015,463
Reserves	945,158	935,869
Retained earnings	608,511	535,760
	2,569,132	2,487,092
Minority interests	291,078	239,819
Non-current liabilities		
Borrowings	722,634	913,987
Current liabilities		
Trade and other payables	876,025	809,946
Current tax liabilities	36,222	24,217
Borrowings	1,905,932	1,049,203
	2,818,179	1,883,366
Total equity and liabilities	6,401,023	5,524,264

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2006

	From January to September, 2006	From January to September, 2005
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	474,419	694,510
Interest paid	(84,692)	(57,903)
Income tax paid	(23,802)	(28,597)
Net cash from operating activities	365,925	608,010
Cash flows from investing activities		
Purchase of property, plant and equipment	(743,692)	(745,354)
Purchase of land use rights	(13,208)	(4,545)
Purchase of intangible assets	(9,563)	(63)
Purchase of trading investments	--	--
Pledged bank deposits withdrawn	8,827	19,620
Proceeds from sale of trading investments	--	--
Purchase from sale of property, plant and equipment	31,709	903
Interest received	2,356	981
Net cash used in investing activities	(723,571)	(728,458)
Cash flows form financing activities	--	--
Proceeds from borrowings	2,719,873	1,987,350
Repayments of borrowings	(2,034,596)	(1,863,301)
Dividends paid to shareholders	(182,618)	(167,907)
Dividends paid to minority interests	(43,554)	(20,387)
Capital contributed by minority shareholders	40,741	48,213
Pledged bank deposits withdrawn	(85,472)	368
Net cash generated from financing activities	414,374	(15,664)
Effect of exchange rate changes	372	(12,745)
Net decrease in cash and cash equivalents	57,100	(148,857)
Cash and cash equivalents at beginning of year	227,763	307,449
Cash and cash equivalents at end of report period	284,863	158,592

iii Total number of shareholders and statement of shares held by the top ten shareholders of circulating shares at the end of the report period.

Total number of shareholders at the end of report period: 60,334 (including 31,159 of A-share and 27,175 of B-share)

Shares held by the top ten unrestricted shareholders:

Name	**Number of circulating shares held at the end of report period**	**Type**
Shenzhen Yuquan Investment Co., Ltd.	14,030,409	A
Value Partners Classic Fund	13,067,713	B
CGS-CBC-Rixing Assets Management Co., Ltd Rixing Chiina RMB A-Share Parent Fund	10,800,823	A
HTHK-Value Partners in Telligent FD-China B SHS FD	9,140,946	B
UBS Warburg Custody PTE Ltd. 瑞士银行	8,853,652	B
Xuan Wei Co., Ltd.	8,500,060	B
KGI Asia Limited	7,561,135	B
ICBC-Guo Tou UBS Core Enterprise Share Securities Investment Fund	7,434,259	A
ICBC-Rong Xin Securities Investment Fund	6,235,988	A
Merrill Lynch Pierce Fenner & Smith Inc	5,288,173	B

III Discussion and analysis of the operation

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

In the third quarter of 2006, the whole operation of the Company ran well. The company's float glass had a very good performance, although the contradiction between supply and demand was still prominent and the competition was so severe. With the promotion of national policy on constructing Resource-conserving Society and policy on Building Energy Efficiency, the orders for processing glass were very full, and the supply could not meet the demand. The sales, gross profit and net profit all increased remarkably year-on-year. The fine glass and micro-electronics industry still kept strong profitability, and especially the electronic product has revealed a good market prospect with increasing outputs and sales. End by the third quarter of 2006, the total sales were RMB 2.059 billion, up 26.85% year-on-year; the net profit was RMB 256 million, up 1.75% year-on-year.

At present, the Company is getting into a crucial period of adjustment and development. The key objectives are to develop building energy-saving products and renewable energy products. Tianjin processing glass capacity-enlargement project, Wujiang processing glass project, and Chengdu glass coating line project all came into construction one after another in the report period. Dongguan processing glass project was also in the process of construction. Along with the completion of these projects, the Company will form a layout that the building energy-saving glass production bases will cover East, West, North and South of China, and the capacity will increase in a big degree. Meanwhile, these processing glass capacities will effectively consume the company's own float glass substrates, thereby thoroughly change the condition that the company's float glass industry is influenced by large fluctuation of the market. As for the solar photovoltaic industry, the super white solar glass project with daily capacity of 250 tons will be on stream in the fourth quarter of 2006. The most important project in the whole solar photovoltaic industry chain----the 4,500 tons poly-silicon material project (The capacity is 1,500 tons per year in the first-phase) has been officially put into construction on 22 October 2006. The solar photovoltaic cell project with annual capacity of 25 MW will also begin its construction in the fourth quarter of 2006. After these projects are all completed and put into production, the Company will form a brand new industrial layout, which will have a profound influences on the future development of the Company.

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

√Applicable ☐Non-applicable

Industry	**Income from January to September, 2006 (RMB'000)**	**Income from January to September, 2005 (RMB'000)**
Sales of glass products	1,960,739	1,526,656

(ii) Features of the periodicity and seasonality of the Company's operation.

☐Applicable √Non-applicable

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

☐Applicable √Non-applicable

(iv) Explanation of reason of significant change of main business and its structure compared with the previous report period.

☐Applicable √Non-applicable

(v) Explanation of reason of significant change of profitability capability of main business (gross profit radio) compared with the previous year.

☐Applicable √Non-applicable

ii Explanation and analysis of significant events and its effect as well as its counter measure

Non-operating capital occupied and pay-off scheme.

☐Applicable √Inapplicable

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

√Applicable ☐Non-applicable

Consolidation scope of accounting statement has been added Yichang CSG Silicon Materials Co., Ltd.

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

□Applicable √Non-applicable

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

□Applicable √Non-applicable

vi Adjustment on the disclosed annual operating plan or budget.

□Applicable √Non-applicable

vii Special commitment made during the period of Share Merger Reform by original non-tradable shareholders and its performance

□Applicable √Non-applicable

viii Explanation on company not entering into the process of the Share Merger Reform

□Applicable √Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
25 October 2006