

CSG HOLDING CO., LTD.

SEMI-ANNUAL REPORT 2007



CEO: ZENG NAN

August 2007

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 Xie Rudong authorized Zhang Jianjun to vote on his behalf by written form.

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 enclosed in this annual report is true and complete.

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

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.

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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** Legal representative: Li Jingqi
- iii** 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
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E-mail: securities@csgholding.com
- iv** 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
- v** 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.
- vi** Stock exchange listed with: Shenzhen Stock Exchange
Short form of the stock and stock code (A-share): Southern Glass A (000012)
Short form of the stock and stock code (B-share): Southern Glass B (200012)

II Financial Highlight

i Major accounting data as of the report period

Unit: RMB'000			
	<u>30 June 2007</u>	<u>31 December 2006</u>	<u>Increase/decrease at the end of this report period compared with the end of last year (%)</u>
Total assets	7,067,302	6,776,323	4.29
Shareholders' equity	2,351,406	2,632,511	-10.68
Net assets per share (RMB)	2.32	2.59	-10.42
	<u>Jan.~Jun. 2007</u>	<u>Jan.~Jun. 2006</u>	<u>Increase/decrease in this report period compared with the same period in last year (%)</u>
Equity holders on profit of the Company	148,748	152,183	-2.26
Earnings per share (RMB)	0.15	0.15	0
Rate of return on equity (%)	6.33	5.78	Increase 0.55% points
Net cash from operating activities	423,713	242,242	74.91
Net cash from operating activities per share	0.42	0.24	75.00

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

Unit: RMB'000	
<u>As reported under CAS:</u>	191,862
Acquisition of minority interest	(563)
<u>As reported under IAS:</u>	191,299

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 expiration of restricted tradable period of a portion of restricted shares, the change of the share structure is as follows:

Unit: Share

	<u>Before the change</u>		<u>Increase / Decrease in the period</u>		<u>After the change</u>	
	<u>Amount</u>	<u>Proportion</u>	<u>Others</u>	<u>Sub-total</u>	<u>Amount</u>	<u>Proportion</u>
Restricted shares	349,208,968	34.39	-168,720,982	-168,720,982	180,487,986	17.77
1. State-owned shares	0	0	0	0	0	0
2. State-owned legal person's shares	112,837,024	11.11	-50,773,156	-50,773,156	62,063,868	6.11
3. Other domestic investor's shares	236,371,944	23.28	-117,947,826	-117,947,826	118,424,118	11.66
Including:						
Domestic legal person's shares	236,232,385	23.27	-117,911,436	-117,911,436	118,320,949	11.65
Domestic natural person's shares	139,559	0.01	-36,390	-36,390	103,169	0.01
4. Foreign investor's shares	0	0	0	0	0	0
Including:						
Foreign legal person's shares	0	0	0	0	0	0
Foreign natural person's shares	0	0	0	0	0	0
Unrestricted shares	666,254,156	65.61	168,720,982	168,720,982	834,975,138	82.23
1. RMB ordinary shares	217,675,337	21.44	168,720,982	168,720,982	386,396,319	38.05
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

<u>Date</u>	<u>Additional listed shares expired the restricted period</u>	<u>Balance of the restricted shares</u>	<u>Balance of the unrestricted shares</u>
25 May 2008	152,319,468	26,808,816	538,715,787
25 May 2009	26,705,647	103,169	565,421,434

Note: The aforesaid shares did not include B-share, 1,359,702 circulating shares with restricted conditions which did not yet accomplish the repayment procedures on releasing the restrictions, and also did not consider the changes of shares held by directors, supervisors and senior executives.

(iii) Shares held by the top ten restricted shareholders and restricted conditions

Unit: Share

<u>No</u>	<u>Name of the restricted shareholders</u>	<u>the restricted shares held</u>	<u>Date to be listed</u>	<u>Additional listed shares</u>	<u>Restricted condition</u>
1	Yiwan Industrial Development (Shenzhen) Co., Ltd.	62,483,252	25 May 2008 25 May 2009	50,773,156 11,710,096	Note
2	China North Industries Corporation	61,551,666	25 May 2008 25 May 2009	50,773,156 10,778,510	
3	Xin Tong Chan Development (Shenzhen) Co., Ltd.	54,990,197	25 May 2008 25 May 2009	50,773,156 4,217,041	

Note: The original non-tradable shareholders whose total stock exceeds 5% of the total shares of the Company made commitment that there is no transaction or transfer in the market within 12 months, sells the original non-tradable shares in listed transaction on Shenzhen Stock Exchange after the expiration of the 12 months and the sales proportion of the total shares of the Company will not exceed 5% and 10% of total shares of CSG Holding in 24 months. (The Aforesaid shareholders did not include the shareholders which have not yet accomplished the repayment procedure on releasing the restrictions and also did not consider the changes of shares held by directors, supervisors and senior executives.)

ii Particulars about the principal shareholders

(i) By the end of report period, the Company had total 69,392 shareholders, which consisted of 33,443 shareholders of A-share and 35,949 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

<u>Name</u>	<u>Nature</u>	<u>Total amount</u>	<u>Proportion</u>	<u>Restricted shares</u>	<u>shares pledged or frozen</u>
Yiwan Industrial Development (Shenzhen) Co., Ltd.	Domestic legal person's shares	113,256,408	11.15%	62,483,252	0
Xin Tong Chan Development (Shenzhen) Co., Ltd.	Domestic legal person's shares	105,763,353	10.42%	54,990,197	0
China North Industries Corporation	State-owned legal person's shares	102,310,522	10.08%	61,551,666	0
Bony-Dreyfus Pifi-Dreyfus Premier Greater China	Foreign-funded	19,460,393	1.92%	0	Unknown
Gao-Ling Fund, L.P.	Foreign-funded	15,712,343	1.55%	0	Unknown
Industrial of Commercial Bank of China - Penghua Good Administrative Stock Securities Investment Fund	Domestic legal person's shares	10,627,864	1.05%	0	Unknown
Industrial of Commercial Bank of China - Fuguo Tianhui Selective Growth Combined Securities Investment Fund	Domestic legal person's shares	7,359,920	0.72%	0	Unknown
CSFB S/A Qinhan China Master Fund (Cayman) Ltd	Foreign-funded	6,809,888	0.67%	0	Unknown
HTHK-Value Partners Intelligent FD-China B SHS FD	Foreign-funded	6,610,946	0.65%	0	Unknown
Citic - Standard Chartered Bank - Ing Bank N.V	Domestic legal person's shares	6,494,133	0.64%	0	Unknown

Particulars about the shares held by the top ten unrestricted shareholders

<u>Name</u>	<u>Unrestricted shares</u>	<u>Type</u>
Yiwan Industrial Development (Shenzhen) Co., Ltd.	50,773,156	A-share
Xin Tong Chan Development (Shenzhen) Co., Ltd.	50,773,156	A-share
China North Industries Corporation	40,758,856	A-share
Bony-Dreyfus Pifi-Dreyfus Premier Greater China	19,460,393	B-share
Gao-Ling Fund, L.P.	15,712,343	B-share
Industrial of Commercial Bank of China - Penghua Good Administrative Stock Securities Investment Fund	10,627,864	A-share
Industrial of Commercial Bank of China - Fuguo Tianhui Selective Growth Combined Securities Investment Fund	7,359,920	A-share
CSFB S/A Qinhan China Master Fund (Cayman) Ltd	6,809,888	B-share
HTHK-Value Partners Intelligent FD-China B SHS FD	6,610,946	B-share
Citic - Standard Chartered Bank - Ing Bank N.V	6,494,133	A-share
Statement on associated relationship among the above shareholders or consistent action	Among shareholders as listed above, Yiwan Industrial Development (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd. are holding enterprises of Shenzhen International Holdings 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 In the report period, there isn't any change in shares held by directors, supervisors, and senior executives.
- ii Changes of directors, supervisors and senior executives in the report period

On 20 April 2007, Annual Shareholders' General Meeting 2006 accepted the resignation submitted by former director Mr. Zhou Daozhi and former independent director Mr. Yan Ganggang. The meeting elected Mr. Yan Ganggang as the director and elected Mr. Xie Rudong as independent director of the 4th board of director of the Company.

V Discussion and Analysis of the management

- i Discussion and analysis about the operation

The overall performance of the Company in the first half of year 2007 was fairish.

Float glass industry: Although the price of float glass slightly rises compared with the same period of last year, due to the price of raw materials, such as heavy oil, alkali and etc, were remained high, the whole industry was still under pressure. The Company continuously persisted in using the diversified product structure to keep its competitive advantage and price level, and actively improved the quality and cost advantage through measures of enhancing internal management level, improving techniques, reducing energy consumption and etc.. Though the Company adjusted the depreciation of fixed assets according to the new accounting standards, which caused a certain impact on the float glass business, the gross profit margin of float glass still remained steady.

Engineering glass industry: Along with the promulgation and intensified supervision of various energy conservation policies, the market of engineering glass industry continuously maintained a favorable tendency of growth. Whereas, influenced by the pressures of price increasing of flat glass and intense market competition, the gross profit margin in engineering glass business was squeezed, and the profitability was affected to a certain degree. Furthermore, the removal of the Company's engineering glass production plant in Shenzhen to Dongguan caused a certain reduction on the overall productivity in engineering glass sector. In order to offset the market influences on the business, The Company took full use of its competitive advantage and market power in the business, and adopted different measures such as enhancing the development and innovation of energy-saving glass products, reinforcing market exploitation, intensifying its perfect management, reducing quality cost, enhancing its existing capacity utilisation ratio and etc.. At present, the Company's Tianjin Energy-saving Glass Project, Wujiang Energy-saving Glass Project, and Dongguan Engineering Glass Project are getting along smoothly.

Fine glass and micro-electronics industries: In the first half year of 2007, although the prices of ITO conductive coating glass and color filter fallen by a certain amount resulting from homogenization competition, along with the releasing of new production capacity, and the continuous increase of production scale and yield, the Company still maintained its strong profitability in this business.

Solar Energy Industry: Though the difficulty of the Yichang Polycrystalline Silicon Project is tough, and completion of the project is deferred due to various matters, but by working together, the manufacturing technology and production equipments scheme of the project have been mainly confirmed, and all works are carried through in steady progress. The Solar Cell Project is having a substantive progress now, the Company plans to start the production at the end of the year 2007. Along with the completion of these projects and commencement of business in succession, the CSG solar energy industry will become another pillar industry of the Company.

In the first half year of 2007, the Company realised revenue from its main operating activities amounting to RMB 1.827 billion, which increased 42.03% year-on-year; realized profit in total amounting to RMB 149.3114 million, which dropped by 1.42% year-on-year.

ii Operations in the report period

(i) Scope of main operations

The main business scope of the Company includes: Research and development (R&D) and production of high-grade float glass, special glass, processing glass, fine glass, automobile glass, new-type electronic components, and structural ceramic products; R&D and production of energy conservation products and energy products with glass as medium; Consultation services of technology, equipment and information support for float glass and glass processing; Design and installation of curtain walls; Real estate development and property management, and industrial project investment.

A Sales classified according to products

	Unit: RMB'000	
	<u>Jan.~Jun., 2007</u>	<u>Jan.~Jun., 2006</u>
Float glass	971,013	589,353
Engineering glass	535,786	413,329
Fine glass	249,538	208,849
Others	191,895	180,363

B Sales classified according to location

	Unit: RMB'000	
	<u>Jan.~Jun., 2007</u>	<u>Jan.~Jun., 2006</u>
The Mainland, P.R.C.	1,217,876	845,171
Hong Kong, P.R.C.	252,722	225,675
United States	64,656	55,395
Australia	33,841	42,891
Others	254,730	117,414

(ii) In the report period, profit structure, main operating activities and structure did not have significant change.

(iii) In the report period, the company had no other operating business activities that had significant impact 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

- A** The prices of primary raw materials of float glass still remained in high, which gave a high pressure on the control of production cost. By improving the production technology and enhancing the production yield, the Company reduced the unit production cost.
- B** The removal of engineering glass plant in Shenzhen to Dongguan production base in the first half year temporarily affected the overall productivity in this business sector, however, the Company believed the advantages of integrated production capacity of engineering glass in Dongguan would help to effectively reduce administrative cost and economise resources soon.
- C** Due to the dissatisfied quality of low-silica sand, the Luxian silica mine in Sichuan could not operated as expected and efficiently supply qualified silica sand to Chengdu CSG. In order to cases operational loss, the Company planned to remove this subsidiary to a new silica mine later, which might generate a large asset loss.

iii Investment in the report period

- (i)** In the report period, the company did not raise any fund through share offering or carry over any fund raised previously to the report period.
- (ii)** The actual progress and income status of major investment projects by non-raising fund.

A Dongguan CSG Engineering Glass Project

This project is established in Dongguan Green Energy Industrial Park with RMB 670 million proposed investment amount. The company plans to establish an imported production line of glass coating with yearly output of 5 million square meters, and integrate the existing assets and resources to concentrate the present processing capabilities in Shenzhen and move to Dongguan to form a centralized glass processing center in South China. The construction of factory buildings and auxiliary facilities of this project are planned to be completed in the first quarter of 2007. At present, the main equipments that newly purchased such as the glass coating line, insulating glass production line and glass tempering line and etc. have been installed and debugged in succession. The removal of Shenzhen's plant to Dongguan is also in process.

B Tianjin Energy-saving Glass Project

RMB 384 million is expected to be invested in this project to establish a production base for glass deep processing, of which the technical level and production scale are equivalent to those of the Tianjin CSG Engineering Glass Co., Ltd. The base mainly produces the energy-saving low-E glass and its composite-processing products. This new production base will form an annual production capability of Low-E and insulating composite products with a yearly output of 2.50 million square meters. The project has begun the construction in October 2006. At present, the subscription of major equipment contracts is finished; all constructions and auxiliary project are also carried on in schedule. It is

expected to complete the 1st phase of the project and commence the operation at the end of 2007.

C Wujiang CSG Engineering Glass Project

RMB 433 million is expected to be invested in this project to establish two coated glass production lines and other supporting processing production lines in two phases. This project is designed to produce environmental energy-saving Low-E coated glass and the composite processing series in Wujiang Economic Development Zone of Jiangsu Province. The project has begun the construction in October 2006. At present, the subscription of major equipment contracts is finished; all constructions and auxiliary project are also carried on in schedule. It is expected to complete the 1st phase of the project and commence the operation at the end of 2007. This investment will provide a productivity of energy-saving, Low-E and insulating composite products with a yearly output of 2.50 million square meters after the whole project is completed.

D Solar Super White Glass Project

This project is established in Dongguan Green Energy Industrial Park. RMB 150 million has been invested in this project to establish a solar super white glass production line with a daily capacity of 250 tons. The yearly output of Solar Super White glass will be about 79,000 tons. The production line was successfully ignited at the end of October 2006 and was officially put into business operation in February 2007. In the first half year of 2007, this project realised RMB 2.3 million net profits.

E The Polycrystalline Silicon Material Project

This project is established in Yichang Economical & Technological Development Zone of Hubei Province. It is expected to establish a production base with capacity of 4,500 to 5,000 tons poly-silicon in several investment phases. Investment of Phase 1 is estimated to be RMB 780 million to form a poly-silicon production line with a yearly output of 1,500 tons, including solar grade and electronic grade high purity poly-silicon materials, solar silicon wafer, etc.. At present, the project is already in progress. Though the completion of the project was affected by the late delivery of technical data and design, the Company still tried its best to push the project and move on, and strive hard to meet the completion in the first half year in 2009.

F Solar Photovoltaic Battery Project

RMB 100 million is expected to be invested in Phase 1 of the project to establish a solar photovoltaic cell production line with a yearly production of 25 megawatts. At present, the contracts of major equipment in this project have already been signed, and these equipments would be ready for installation according to the contracts signed. It's estimated to be finished and put into production at the end of the year 2007.

iv The financial report of the 2007 semi-annual report of the Company has not been audited.

VI Significant Events

i. Company Corporate Governance

By strictly conforming to the requirements and standards of the relevant laws and regulation issued by the CSRC, the Company continuously improved the corporate governance structure, established a modern corporate system and standardized the operations. In the report period, In accordance with the newly-promulgated regulations and laws such as Company Law, Securities Law of PRC and Guidelines on Articles of Listed Companies(Revision 2006), etc., the Company comprehensively revised the Articles of Associations; Rules and Procedures for Shareholders' General Meeting, Board of Directors, and Supervisory Committee; Working Criteria for Special Committee of General Manager, Independent Directors, Secretary of Board of Directors, and Board of Directors; and formulated the Management of Usage of Raised Fund, Management of External Guarantee, and Management of Information Disclosure. In addition, according to "Notice about Enforcing the Administration of Listed Companies", the Company performed a comprehensive self-examination on its administration, and established a self-examination report and rectification plan. The Company would further improve its administration and corporate governance in accordance with the suggestions from the public opinions, and opinions from Shenzhen CSRC and Shenzhen Stock Exchange Department.

ii. Profit distribution plan

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

Shareholds' General Meeting 2006 on 20 April 2007 passed the Profit Distribution Plan 2006, which was: based on the total share capital 1,015,463,123 shares at the end of the year 2006, the dividends would be distributed to shareholders in cash at the rate of RMB 4.5 (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 12 June 2007, and the distribution was almost accomplished.

(ii) Midterm profit distribution plan

The Company shall neither distribute profits nor convert public reserve into share capital in midterm of 2007.

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. The related transaction in the report period.

Unit: RMB'000

<u>Name of the related party</u>	<u>Jan.~Jun., 2007</u>	<u>Remarks</u>
Total Logistics (Shenzhen) Co., Ltd.	20,024	This accumulated amount of the related transaction was the full-year freight from the delivery services provided by the related party to some subsidiary companies of the Company. The agreed price was set based on the price from public bidding.

vi. Significant contract and implementation

- (i) In the report period, neither has the Company entrusted, contracted or leased other companies' assets, nor have other companies entrusted, contracted or leased the assets of the Company.
- (ii) In the report period, the Company has not offered any guarantee to any external parties or individuals other than the Company's own subsidiaries. At the 30 June 2007, the guarantees that the Company offered to its shareholding subsidiaries are as follows:

Unit: RMB'0000

<u>Guarantee of the Company for the controlling subsidiaries</u>	
Total amount of guarantee for controlling subsidiaries in the report period	34,792
Balance of guarantee for controlling subsidiaries at the end of the report period	91,375
<u>Particulars about the guarantee of the Company(Including the guarantee for the controlling subsidiaries)</u>	
Total amount of guarantee	91,375
Proportion of the total guarantee in net assets of the Company (%)	38.86%
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%	42,949
Total amount of guarantee in net assets of the Company exceeded 50%	0
Total amount of guarantee aforesaid	42,949

- (iii) In the report period, the Company did not entrust others to manage cash assets.

vii. Commitment events

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

- (i) Since the date of the implementation of Share Merger Reform, no transaction or transfer is allowed in the market within 12 months.
- (ii) When the original non-tradable shareholders, whose total stock exceeds 5% of the total shares of the Company, list and sell the original non-tradable shares on Shenzhen Stock Exchange under the expiration of the condition in item (i) above, the proportion of shares sold must not exceed 5% of the total shares of The Company in 12 months, and 10% of the total shares of the Company in 24 months.

By the end of the report period, the original non-tradable shareholders of the Company have strictly carried out their promises.

viii. Punishment

In the report period, none of the Company, the Board of Directors, Supervisors, Senior Executives or employees were criticized or condemned by the CSRC, Stock Exchange Department and any other superior governing bodies.

ix. Other significant events

(i) Private Placement of A-share to Specific Investors

The Company plans to issue a maximum of 180 million shares(including 180 million shares) of A-share to no more than ten specific investors, the total fund raised shall not exceed RMB1,380 million in this private placement. This event has been examined and approved by the Company's 1st Extraordinary Shareholders' General Meeting of 2007. On 18 July 2007, the event was approved in the 83rd Work Conference 2007 by Stock Issuance Examination and Verification Committee of the China Securities Regulatory Commission. By the approval decision, the Company's A-share private placement application was passed under conditions.

(ii) Shenzhen Yuquan Investment Co., Ltd.

Shenzhen Yuquan Investment Co., Ltd. (A company invested and founded by the management team of the Company. See the 2004 Annual Report, 2005 Annual Report and 2006 Annual Report for relevant details.) held 19,635,178 shares of total CSG A-shares at the beginning of this report period. Of the total, 4,604,735 shares were restricted A-shares and 15,030,443 shares were unrestricted A-shares. The 4,604,735 restricted A-shares were released on 24 May 2007. From January to May 2007, Shenzhen Yuquan Investment Co., Ltd. partially reduced the shares of CSG it held in the Shenzhen Stock Exchange. At the end of report period, Shenzhen Yuquan Investment Co., Ltd. reduced the CSG A-shares it held to 1,620,000 shares, accounting for 0.16% of the total issued shares of the Company.

x. The Receptions Offered by the Company to the Investors in the report period

<u>Time</u>	<u>Place</u>	<u>Method</u>	<u>Object</u>	<u>Contents and materials offered</u>
2007.3	Conference Room	Interview	SYWG BNP Paribas Asset Management Co., Ltd	Introduction to main industries of the Company
2007.5.30	Conference Room	Interview	Sealand Securities Co., Ltd.; Fortune Trust Investment Co., Ltd.; Yinhua Fund Management Co., Ltd.	Introduction to production of industries, status of new project building; and product R&D and production management of the Company
2007.6.21	Conference Room	Interview	Bisheng(Shanghai) Investment Consulting Co., Ltd. Dongguan Filiale	Introduction to production scale of industries, market situation and industry development status of the Company
2007.6.28	Conference Room	Interview	Qinhan Capital Management LLC	Introduction to business and operations of the Company
2007.6.29	Conference Room	Interview	Nikko Asset Management Co., Ltd.	Introduction to products and production capacity of the Company
2007.7.5	Conference Room	Interview	Driehuas Capital Management LLC	Introduction to production scale of the Company
2007.7.17	Conference Room	Interview	China Post & Capital Fund Management Co., Ltd.	Introduction to business and operations of the Company
2007.7.18	Conference Room	Interview	Nomura International (Hong Kong) Ltd.; Dlibj Asset Management Co, Ltd.	Introduction to products, operations, market share and development of new energy industry of the Company

xi. Index of important information

In the report period, the notices have all been published in Securities Times, China Securities Journal, Wen Wei Po and Cninfo internet website <http://www.cninfo.com.cn>

<u>Date</u>	<u>No.</u>	<u>Name</u>
2007.2.7	2007-001	Notice on Resolutions of the 15 th Meeting of the 4 th Board of Directors
2007.2.7	2007-002	Notice on Holding the 1 st Extraordinary Shareholders' General Meeting of 2007
2007.2.7	2007-003	Amendment Notice on Holding the 1 st Extraordinary Shareholders' General Meeting of 2007
2007.2.10	2007-004	Adjustment Notice on Parts of Amendment Notice on Holding the 1 st Extraordinary Shareholders' General Meeting of 2007
2007.2.16	2007-005	Reminding Notice on Holding the 1 st Extraordinary Shareholders' General Meeting of 2007
2007.3.2	2007-006	Notice on Resolutions of the 1 st Extraordinary Shareholders' General Meeting of 2007
2007.3.13	2007-007	Suggestive Notice on Issuing Short-term Finance Stock
2007.3.20	2007-008	Summary of Annual Report 2006 (A share)
2007.3.20	2007-009	Summary of Annual Report 2006 (B share)
2007.3.20	2007-010	Notice on Resolutions of the 16 th Meeting of the 4 th Board of Directors
2007.3.20	2007-011	Notice on Resolutions of the 12 th Meeting of the 4 th Supervisory Committee
2007.3.20	2007-012	Notice on Holding the Annual Shareholders' General Meeting 2006
2007.4.5	2007-013	Notice on Relocating Annual Shareholders' General Meeting 2006
2007.4.12	2007-014	Notice on Proposal of Cancellation of Bonus shares by Increasing cash dividends in 2006 Profit Distribution Preplan
2007.4.23	2007-015	Notice on Resolutions of Annual Shareholders' General Meeting 2006
2007.4.24	2007-017	The 1 st Quarterly Report of 2007 (A share)
2007.4.24	2007-016	The 1 st Quarterly Report of 2007 (B share)
2007.4.24	2007-018	Notice on Resolutions of the 17 th Meeting of the 4 th Board of Directors
2007.4.24	2007-019	Notice on Associated Transaction
2007.4.24	2007-020	Notice on External Guarantee
2007.5.11	2007-021	Notice of Board of Directors on Share Holding Reduction of Value Partners Limited
2007.5.22	2007-022	Reminding Notice on Complete Circulation of Restricted Shares
2007.5.30	2007-023	Notice on Resolutions of the 18 th Meeting of the 4 th Board of Directors
2007.5.30	2007-024	Notice on Holding the 2 nd Extraordinary Shareholders' General Meeting of 2007
2007.5.31	2007-025	Notice of Board of Directors on Share Holding Reduction of Shenzhen Yuquan Investment Co., Ltd.
2007.6.12	2007-026	Notice on Profit Distributions of 2006
2007.6.16	2007-027	Notice on Resolutions of the 2 nd Extraordinary Shareholders' General Meeting of 2007
2007.6.23	2007-028	Notice on Administrative Self-examination and Rectification Plan of the Company
2007.6.28	2007-029	Notice on Matters Concerned of reduction in export tariff rebates on partial export products of the Company

VII Financial Report

Attached hereafter.

CSG HOLDING CO., LTD.**CONSOLIDATED BALANCE SHEET****AS OF 30 JUNE 2007**

(All amounts in Renminbi thousands unless otherwise stated)

	Note	2007 30 June	2006 31 December
ASSETS			
Non-current assets			
Property, plant and equipment	6	5,567,915	5,223,044
Land use rights	7	258,502	215,945
Intangible assets	8	17,720	17,896
Investment in an associate			6,765
Deferred income tax assets	9	1,389	1,482
Available-for-sale financial assets	10	37,689	9,078
Prepayment for land use right		22,769	15,001
		<u>5,905,984</u>	<u>5,489,211</u>
Current assets			
Inventories	11	323,152	249,417
Properties held for sale	12	61,211	72,077
Trade and other receivables	13	470,227	424,862
Derivative financial instruments	14		1,985
Pledged bank deposits	15	17,939	58,304
Cash and cash equivalents	15	288,789	480,467
		<u>1,161,318</u>	<u>1,287,112</u>
Total assets		<u>7,067,302</u>	<u>6,776,323</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	1,015,463	1,015,463
Other reserves	17	1,002,942	975,837
Retained earnings		333,001	641,211
		<u>2,351,406</u>	<u>2,632,511</u>
Minority interest		<u>250,389</u>	<u>312,300</u>
Total equity		<u>2,601,795</u>	<u>2,944,811</u>
LIABILITIES			
Non-current liabilities			
Other payable	18	45,000	45,000
Borrowings	21	607,130	717,042
		<u>652,130</u>	<u>762,042</u>
Current liabilities			
Trade and other payables	19	1,153,744	960,230
Current tax liabilities	20	44,285	31,266
Borrowings	21	2,593,626	2,056,888
Derivative financial instruments	14		1,013
Provisions for other liabilities and charges	22	21,722	20,073
		<u>3,813,377</u>	<u>3,069,470</u>
Total liabilities		<u>4,465,507</u>	<u>3,831,512</u>
Total equity and liabilities		<u>7,067,302</u>	<u>6,776,323</u>

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

CSG HOLDING CO., LTD.**CONSOLIDATED INCOME STATEMENT
AS OF 30 JUNE 2007**

(All amounts in Renminbi thousands unless otherwise stated)

	Note	2007 30 June	2006 31 December
Revenue	5	1,823,825	1,272,580
Cost of sales		<u>(1,284,184)</u>	<u>(868,260)</u>
Gross profit		539,641	404,320
Distribution costs		(121,492)	(85,032)
Administrative expenses		(131,596)	(84,867)
Other gains, net	23	<u>4,113</u>	<u>6,587</u>
		<u>290,666</u>	<u>241,008</u>
Operating profit			
Finance costs, net	26	<u>(70,818)</u>	<u>(36,028)</u>
Profit before income tax		219,848	204,980
Income tax expense	27	<u>(28,549)</u>	<u>(18,341)</u>
Profit for the year		<u>191,299</u>	<u>186,639</u>
Attributable to:			
Equity holders of the Company		148,748	152,183
Minority interest		<u>42,551</u>	<u>34,456</u>
		<u>191,299</u>	<u>186,639</u>
Earnings per share for profit attributable to the equity holders of the Company during the year			
-Basic/Diluted (RMB cents per share)	28	<u>14.65</u>	<u>14.99</u>

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

CSG HOLDING CO., LTD.**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****AS OF 30 JUNE 2007**

(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				Minority interest	Total equity
		Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2006		1,015,463	935,869	535,759	2,487,091	239,819	2,726,910
Derecognition of negative goodwill		-	-	-	-	40,749	40,749
Capital contributed by minority shareholders							
Capitalization of other reserves		-	6,890	-	6,890	-	6,890
Capital exchange reserve recognised		-	(5,375)	-	(5,375)	(157)	(5,532)
Cash flow hedges		-	-	-	-	(6,250)	(6,250)
Currency translation differences		-	768	-	768	-	768
Profit for the year		-	-	325,920	325,920	81,766	407,686
Dividend relating to 2004	29	-	-	(182,783)	(182,783)	(43,627)	(226,410)
Appropriation to reserve funds		-	37,685	(37,685)	-	-	-
Balance at 31 December 2006		1,015,463	975,837	641,211	2,632,511	312,300	2,944,811
Balance at 1 January 2007		1,015,463	975,837	641,211	2,632,511	312,300	2,944,811
Capital contributed by minority shareholders							
Cash flow hedges			(1,984)		(1,984)		(1,984)
- Fair value gains during the year			28,610		28,610		28,610
- Transfer to property, plant and equipment							
Merge under different controls			(5,283)		(5,283)		(5,283)
Shareholders' Contributed Capital			103		103	8,083	8,186
Acquisition of minority interest	31					(38,939)	(38,939)
Currency translation differences			5,659		5,659		5,659
Profit for the year				148,748	148,748	42,551	191,299
Dividend relating to 2006	29			(456,958)	(456,958)	(73,606)	(530,564)
Appropriation to reserve funds							
Balance at 30 June 2007		1,015,463	1,002,942	333,001	2,351,406	250,388	2,601,795

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

CSG HOLDING CO., LTD.**CONSOLIDATED CASH FLOW STATEMENT****AS OF 30 JUNE 2007**

(All amounts in Renminbi thousands unless otherwise stated)

		2007	2006
	Note	30 June	31 June
Cash flows from operating activities			
Cash generated from operations	30	513,577	323,335
Interest paid		(66,483)	(63,789)
Income tax paid		(23,381)	(17,304)
Net cash generated from operating activities		423,713	242,242
Cash flows from investing activities			
Investment in an associate			
Payments for acquisition of property, plant and equipment		(536,666)	(434,155)
Proceeds from sale of property, plant and equipment		64	732
Increase in other payable			
Payments for acquisition of land use rights		(31,033)	(13,208)
Payments for acquisition of intangible assets		(2,816)	(7,980)
Acquisition of minority interest		(36,626)	
Interest received		(878)	1,801
Net cash used in investing activities		(607,955)	(452,810)
Cash flows from financing activities			
Proceeds from borrowings		3,080,197	2,114,238
Repayments of borrowings		(2,625,107)	(1,723,220)
Payments of bonds issuance costs		(3,200)	(3,200)
Payments of sponsor fee to security company		(500)	
Dividends paid to Company's shareholders		(447,291)	(180,645)
Dividends paid to minority shareholders		(57,619)	(32,616)
Capital contributed by minority shareholders		8,320	15,001
Pledged bank deposits (placed)/withdrawn		39,890	17,483
Net cash generated from financing activities		(5,310)	207,041
Net increase/(decrease) in cash and cash equivalents		(189,552)	(3,527)
Cash and cash equivalents at beginning of year		480,467	227,763
Exchange losses on cash		(2,126)	1,002
Cash and cash equivalents at end of year	15	288,789	225,238

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

CSG HOLDING CO., LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AS OF 30 JUNE 2007**

(All amounts in Renminbi thousands unless otherwise stated)

1. General information

CSG Holding Co., Ltd. (Abbr: the “Company”; Original name: China Southern Glass Holding Co., Ltd.), was incorporated in 1984 in the People’s Republic of China (the “PRC”) as a joint venture enterprise under the laws of the PRC.

The Company’s was registered in Shenzhen, the holding company is Shenzhen International Holdings Limited..

The Company was reorganised as a joint stock limited company in October 1991, its domestic shares (“A Shares”) and domestically listed foreign shares (“B Shares”) is listed on the Shenzhen Stock Exchange in February 1992. The Company’s share capital increased to RMB107,532,550 after listing.

The permitted business domain and operating activities of the Company and its subsidiaries include: Research and development (R&D), and production of high-grade float glass, special glass, processing glass, fine glass, automobile glass, new-type electronic components, and structural ceramic products; R&D and production of energy conservation products and energy products with glass as medium; Consultation services of technology, equipment and information support for float glass and glass processing; Design and installation of curtain walls; Real estate development and property management, and industrial project investment. The corresponding business activities of its subsidiaries are shown in Note 31.

These financial statements were authorised for issue by the Board of Directors of the Company on 10 August 2007.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of preparation

The consolidated financial statements of CSG Holding Co., Ltd. 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 and liabilities.

Since the 1st of January 2007, the Company and its principal subsidiaries apply the Accounting Standard for Business Enterprises promulgated by Ministry of Finance People’s Republic of China in 15 February 2006. The basis of accounting is consistent 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 IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

B Consolidation

(1) 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 but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interest, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at

cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates 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. A Geographical segment is engaged in providing products or services within a particular economic environment that are 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 are presented in Renminbi ("RMB"), which is the functional and presentation currency.

(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.

(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 partially disposed of or sold, 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 depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. On the 1 January 2007, the life-spans of property, plant and equipment were adjusted. The new estimated life-spans are as follows:

Buildings	30 – 40 years	Constructions	10 – 20 years
Machinery and equipment	10 – 16 years	Vehicles	8 – 10 years
Computers and office equipment	3 – 5 years	Other fixed assets	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 (Note 2(H)).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within other (losses)/gains – net, in the income statement.

F Land use rights

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

G 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.

H 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.

I 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. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2(M)).

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 the 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 for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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 securities classified as available for sale are recognised in equity. When

securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities. Dividends on available-for-sale equity instrument are recognised in the income statement as part of other income 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 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. Impairment testing of trade and other receivables is described in Note 2(M).

J 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 depends 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 probable 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 a hedging derivative 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 meets 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.

K 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.

L 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 development cost attributable to the properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses or by management estimates based on prevailing marketing conditions.

M 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.

N 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.

O 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.

P Borrowings

Borrowings are recognised initially at fair value, 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.

Q 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.

R 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.

S 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.

T Provisions

Provisions for warranty, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) 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.

(b) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured.

(c) 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.

(d) 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.

(e) 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 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

X 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.

Y Comparatives

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

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.

(a) 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 States 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.

(b) 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.

(c) Liquidity risk

The Group's current liabilities exceed its current assets. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by arranging banking facilities and other external financing.

(d) 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. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

A Useful lives of property, plant and equipment

The Group's management determined the estimated useful lives and related depreciation charges for its fixed assets. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of technical innovations and competitors actions in response to serve industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

B Net realisable value of properties held for sale

Net realisable value of properties held for sale is the estimated selling price in the ordinary course of business, less estimated selling expenses. The estimated selling prices are based on that of similar properties with reference to the current market condition. It could change significantly as a result of change in market condition. Management will reassess the estimations at the balance sheet date.

C Fair value estimation

Fair value estimates are made at a specific point in time and are based on relevant market information. These estimates are subjective in nature and involved uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in valuation methods and assumptions could significantly affect the estimates.

5. Segment information

(a) Primary reporting format - business segment

At 30 June 2007, the Group is organised into four main business segments:

1. Manufacture and sale of float glass products;
2. Manufacture and sale of Engineering glass products; and
3. Manufacture and sale of fine glass products.

Other group operations mainly comprise the sale of electronic and ceramics products, property and glass installation service. Neither of these constitutes a separately reportable segment.

The segment results are as follows:

	Float glass	Engineering glass	Fine glass	Other	Eliminatio n	Group
End 30 June 2007						
External sales	866,730	520,252	249,538	187,305		1,823,825
Inter-segment sales	104,283	15,534		4,590	(124,407)	
Total revenue	971,013	535,786	249,538	191,895	(124,407)	1,823,825
Segment result	147,240	71,271	74,197	5,689	(446)	297,951
Unallocated corporate expenses						(7,285)
Operating profit						290,666
Finance costs – net						(70,818)
Profit before income tax						219,848
Income tax expense						(28,549)
Profit for the year						191,299
End 30 June 2006						
External sales	490,885	410,857	208,849	179,955	-	1,286,546
Inter-segment sales	98,468	1,472	-	408	(100,348)	
Total revenue	589,353	413,329	208,849	180,363	(100,348)	1,286,546
Segment result	66,503	93,374	68,742	21,062	-	249,681
Unallocated corporate expenses						(8,673)
Operating profit						241,008
Finance costs – net						(36,028)
Profit before income tax						204,980
Income tax expense						(18,341)
Profit for the year						186,639

Other segment items included in the income statement are as follows

	Float glass	Engineering glass	Fine glass	Other	Unallocated	Group
End 30 June 2007						
Depreciation and amortisation	90,674	30,401	24,788	19,192	1,261	166,316
Impairment of assets	3,726	3,339	242	(528)		6,780
End 30 June 2006						
Depreciation and amortisation	52,053	25,114	20,424	16,131	1,135	114,857
Impairment of assets	(20)	(1,466)	(1)	(614)		(2,101)

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets mainly comprise deferred taxation, available-for-sale financial assets, and treasury function and other assets held of the parent company, which are not directly attributable to the segments.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise borrowings and

other liabilities which are not directly attributable to the segments.

Capital expenditure comprises additions to property, plant and equipment (Note 6), land use rights (Note 7) and intangible assets (Note 8).

The segment assets and liabilities and capital expenditure are as follows:

	Float glass	Engineering glass	Fine glass	Other	Unallocated	Group
End 30 June 2007						
Assets	3,576,910	1,682,694	839,456	836,617	131,625	7,067,302
Liabilities	1,647,657	882,789	477,928	303,756	1,153,376	4,465,506
Capital expenditure	132,777	293,042	62,968	45,806	653	535,246
End 30 June 2006						
Assets	3,499,090	1,351,013	837,136	844,095	244,989	6,776,323
Liabilities	490,491	301,129	75,505	154,523	2,808,864	3,831,512
Capital expenditure	915,396	43,006	65,553	56,408	162	1,080,525

(b) Secondary reporting format - geographical segment

The Group's revenue is mainly in Hong Kong and mainland, the PRC.

	Number '000	
	2007	2006
	January to June	January to June
The Mainland, PRC	1,217,876	845,171
Hong Kong, PRC	252,722	225,675
United States of America	64,656	55,395
Australia	33,841	42,891
Others	254,730	117,414
	<u>1,823,825</u>	<u>1,286,546</u>

Revenue is allocated based on the country/area in which the customer is located.

The Group's assets are located predominantly in the mainland, PRC.

6. Property, plant and equipment

	Buildings and Constructions	Machinery and equipment	Vehicles and others	Construction- in-progress	Total
End 30 June 2007					
Opening net book amount	953,616	3,558,726	95,851	614,851	5,223,044
Reclassification					
Additions	57,269	392,872	(3,752)	25,413	471,802
Impairment charges	4,291	403	43		4,737
Depreciation charge	(11,441)	(122,895)	2,668		(131,668)
Closing net book amount	1,003,735	3,829,106	94,810	640,264	5,567,915
At 31 December 2006					
Cost	1,075,761	4,270,513	191,486	614,851	6,152,611
Accumulated depreciation	(117,854)	(710,139)	(95,252)		(923,245)
Provision for impairment	(4,291)	(1,648)	(383)		(6,322)
Net book amount	953,616	3,558,726	95,851	614,851	5,223,044

The borrowing costs are calculated at 5.78% (2006: 5.61%) per annum which represented the weighted average interest rate on the loans used to finance the projects.

At 30 June 2007, property, plant and equipment with net book amount of RMB10,299,845 pledged as security for the Group's bank borrowings (Note 21) amounted to RMB18,805,920.

7. Land use rights

	2007 30 June	2006 31 December
Opening net book amount	215,945	158,954
Additions	46,324	62,012
Amortisation charge (Note 24)	(3,767)	(5,021)
Closing net book amount	258,502	215,945
Represented by:		
Cost	303,221	258,838
Accumulated amortisation	(44,719)	(42,893)
Net book amount	258,502	215,945

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.

8. Intangible assets

	Mining rights	Computer software	Patents and licenses	Negative goodwill	Total
At 1 January 2006					
Cost		3,992	15,399		19,391
Accumulated amortisation		(2,777)	(3,163)		(5,940)
Net book amount		1,215	12,236		13,451
Year ended 31 December 2006					
Opening net book amount		1,215	12,236		13,451
Transfer to retained earnings					
Additions	6,006	182			6,188
Amortisation charge (Note 24)	(487)	(75)	(1,181)		(1,743)
Closing net book amount	5,519	1,322	11,055		17,896
At 31 December 2006					
Cost	6,006	4,174	15,399		25,579
Accumulated amortisation	(487)	(2,852)	(4,344)		(7,683)
Net book amount	5,519	1,322	11,055		17,896
End 30 June 2007					
Opening net book amount	5,519	1,322	11,055		17,896
Additions	583	7	1,238		1,828
Amortisation charge (Note 24)	(141)	(39)	(1,824)		(2,004)
Closing net book amount	5,961	1,290	10,469		17,720
At 30 June 2007					
Cost	6,589	4,181	16,637		27,407
Accumulated amortisation	(628)	(2,891)	(6,168)		(9,687)
Net book amount	5,961	1,290	10,469		17,720

9. Deferred income tax assets

	30 June 2007	31 December 2006
Deferred income tax assets:		
- to be recovered after more than 12 months	769	808
- to be recovered within 12 months	620	674
	<u>1,389</u>	<u>1,482</u>

Movements of deferred tax assets are as follows:

	Impairment losses	Pre-operating expenses	Tax losses	Total
At 1 January 2006	2,545		682	3,227
Credited to the income statement	(2,220)	1,020	(545)	(1,745)
At 31 December 2006	325	1,020	137	1,482
Credited/(Charged) to the income statement	(117)	161	(137)	(93)
At 30 June 2007	208	1,181	0	1,389

10. Available-for-sale financial assets

	30 June 2007	31 December 2006
Cost at year began	38,134	25,499
Provision for impairment in value	(445)	(16,421)
Net book amount	<u>37,689</u>	<u>9,078</u>

Beijing Ccid Media Investments Co., Ltd., Shanghai Dajiang (Group) Stock Co., Ltd., and Hainan Haiyao Co., Ltd., which the Company invested, have completed their Share Merger Reform. The Company reclassified and displayed this investment item as “Available-for-sale financial assets” according to its purpose at the end of this report period.

11. Inventories

	30 June 2007	31 December 2006
Raw materials	137,627	136,950
Work-in-progress	49,181	12,667
Finished goods	<u>136,344</u>	<u>99,800</u>
	<u>323,152</u>	<u>249,417</u>

The carrying amount of inventories carried at fair value less costs to sell is as follows:

	30 June 2007	31 December 2006
Raw materials	347	427
Finished goods	<u>1,118</u>	<u>2,069</u>
	<u>1,465</u>	<u>2,496</u>

12. Properties held for sale

All properties held for sale 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.

The cost of properties held for sale recognised as expenses and included in cost of sales amounted to RMB14,994,895 (30 June 2006: RMB2,387,817)

13. Trade and other receivables

	Number '000	
	30 June 2007	31 December 2006
Trade receivables	365,246	304,202
Notes receivable	76,678	89,232
	441,924	393,434
Less: Provision for impairment of receivables	(11,607)	(6,691)
	430,317	386,743
Prepayments	18,621	12,319
Other receivables	21,289	25,800
	470,227	424,862

The Group has written off provision of RMB139,678 and recognised a provision of RMB5,056,118 for the impairment of its trade receivables during the year. The loss has been included in administrative expenses in the income statement.

14. Derivative financial instruments

	Number '000			
	30 June 2007		31 December 2006	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts				
- cash flow hedges			1,985	-
- fair value hedges			-	1,013
			1,985	1,013

15. Cash and cash equivalents

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

	30 June 2007	31 December 2006
Cash at banks and in hand	306,728	538,771
Less: pledged bank deposits (Note (a))	(17,939)	(58,304)
Cash and cash equivalents	288,789	480,467

- (a) At 30 June 2007, bank deposits of RMB17,939,000 (2006: RMB58,304,000) were pledged to banks as security deposits for property mortgage loans granted by the banks to customers of the Group and banking facilities granted to the Group.

16. Share capital

Registered, issued and fully paid ordinary shares of RMB1 each:

	Listed A shares subject to				Total
	Unlisted			Listed	
	A shares	Restrictions	No restrictions	B shares	
	Number'000	Number'000	Number'000	Number'000	
At 31 December 2006	0	349,209	217,675	448,579	1,015,463
Changes in report period		(168,721)	168,721		-
At 30 June 2007	-	180,488	386,396	448,579	1,015,463

17. Other reserves

	Capital reserve	Statutory common reserve fund Note (a)	Discretionary common Reserve fund Note (c)	Hedging reserve	Exchange reserve	Total
Balance at 31 December 2006	589,276	255,815	127,853	1,985	908	975,837
Balance at 1 January 2007	589,276	255,815	127,853	1,985	908	975,837
Reclassification	-			-	-	-
changes in fair value of available-for-sale financial assets	28,611					28,611
Reserve on cash flows hedge				(1,985)		(1,985)
Reserve on equity investment	(5,306)					(5,306)
Share premium	103					103
Currency translation differences					5,682	5,682
Balance at 30 June 2007	612,684	255,815	127,853		6,590	1,002,942

In accordance with relevant PRC regulations applicable to joint stock limited companies by shares and the Articles of Association of the companies within the Group, the Group is required to allocate its profit after tax to the following reserves:

(a) Statutory common reserve fund

Each year to transfer 10% of the profit after tax as reported under the PRC Accounts to the statutory common reserve fund until the balance reaches 50% of the paid-up share capital. This reserve can be used to make up prior years' losses or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(b) Statutory public welfare fund

Pursuant to PRC regulations, the Company ceased to transfer any percentage of the profit after tax to statutory public welfare fund from the financial year beginning on 1 January 2006. The balance of statutory public welfare fund as at 31 December 2005 was reclassified to the discretionary common reserve fund.

(c) Discretionary common reserve fund

The discretionary common reserve fund can be set up by means of appropriation from the retained profits or transfer from the statutory public welfare fund. Subject to the approval of shareholders in general meeting, the reserve can be used to make up any losses, to increase share capital or to pay dividends.

18. Other payable

Other payable represented amount received from Yichang Dongshan Construction Development Holding Company for the construction of utility facilities including transformer sub-station and steam and gas pipelines. The related construction work is not yet completed.

19. Trade and other payables

	30 June 2007	31 December 2006
Trade payables	329,696	236,402
Notes payable	365,332	319,482
Payable for construction work and purchase of equipment	230,682	221,292
Advance from customers	71,730	60,172
Salary payable and welfare payable	28,606	31,422
Accruals	63,482	37,648
Dividend payable	19,880	3,709
Others	44,336	50,103
	<u>1,153,744</u>	<u>960,230</u>

20. Current tax liabilities

	30 June 2007	31 December 2006
Provision for income tax	20,351	11,204
Value-added tax payable	16,433	10,848
Business tax payable	1,229	2,922
Others	6,272	6,292
	<u>44,285</u>	<u>31,266</u>

21. Borrowings

	30 June 2007	31 December 2006
Non-current		
Unsecured bank borrowings	590,175	698,355
Secured bank borrowings	16,955	18,687
	<u>607,130</u>	<u>717,042</u>
Current		
Unsecured bank borrowings	2,591,775	2,055,582
Debentures	1,851	1,306
	<u>2,593,626</u>	<u>2,056,888</u>
	<u>3,200,756</u>	<u>2,773,930</u>
	30 June 2007	31 December 2006
Interests on bank borrowings are:		
- At fixed rates	1,641,888	1,582,538
- At floating rates	<u>1,558,868</u>	<u>1,191,392</u>
	<u>3,200,756</u>	<u>2,773,930</u>

The effective interest rates of bank borrowings at the balance sheet date was 5.66% (2006: 5.47%) per annum.

On 7 March 2007, the Company issued short-term finance bonds totalling RMB800,000,000 to finance the business operation of the Group, which will be repaid on 7 March 2008.

The carrying amounts of borrowings approximate their fair value. The fair values are based on discounted cash flows using a discount rate based upon the borrowing rates which the directors expect would be available to the Group at the balance sheet date.

The maturity of non-current bank borrowings is as follows:

	30 June 2007	31 December 2006
Between 1 and 2 years	249,309	311,135
Between 2 and 3 years	17,651	22,957
Between 3 and 4 years	21,368	27,404
Between 4 and 5 years	<u>318,802</u>	<u>355,546</u>
	<u>607,130</u>	<u>717,042</u>

As at 30 June 2007, the Group has undrawn borrowing facilities totalling RMB4,842,841,270 (2006: RMB4,235,343,000).

22. Provisions for other liabilities and charges

	Warranty	Restructuring	Total
At 31 December 2006	8,884	11,189	20,073
Additional provisions	2,413		2,413
Used during the period		(764)	(764)
At 30 June 2007	11,297	10,425	21,722

(a) Warranty

The amounts represent a provision for certain claims against the Group by customers due to quality issues. The Group was still negotiating with these customers on compensation amounts. As at 30 June 2007, the provision was recognised within administrative expenses in the income statement. The ending balance is expected to be utilised during 2007.

(b) Restructuring

In 2006, the Group scheduled to move its Engineering glass processing plant in Shenzhen to Dongguan in 2007. A compensation plan has been defined and announced to the employees, according to which, if the employees refuse to accept the proposed relocation arrangement, the Group will cease the employment relationship and give them a payment as compensation.

As at 30 June 2007, there had been 107 employees leaving the Group and the Group had paid compensation amounting to RMB3,367,326. Management estimated that there will be further approximately 119 employees who will leave the Group and made a compensation provision amounting to RMB4,855,838 accordingly. In addition, a provision of RMB5,569,062 was also made for disassembly cost and other direct costs attributable to the transplant based on the management's estimation. The provision was included within administrative expenses in the income statement.

23. Other gains, net

	30 June 2007	30 June 2006
Losses on disposal of property, plant and equipment (Note 30)	(12,549)	(2,626)
Losses on assets impairment	(6,780)	2,101
Net foreign exchange transaction gains	24,206	5,671
Fair value gains/losses on fair value hedge	(1,546)	394
Subsidy income	782	1,047
	4,113	6,587

24. Expenses by nature

	30 June 2007	30 June 2006
Employee benefit expense (Note 25)	138,940	118,829
Less: amount capitalised in property, plant and equipment	(8,926)	(16,272)
	130,014	102,557
Changes in inventories of finished goods and work in progress	(73,058)	(2,622)
Raw materials and consumable used	1,066,282	662,965
Utility cost	93,860	69,186
Properties held for sale transferred to cost of sales	15,441	2,193
Depreciation, amortisation and impairment charges	147,509	99,506
Transportation expenses	79,264	63,735
Other expenses	77,960	40,639
Total cost of sales, distribution costs and administrative expenses	1,537,272	1,038,159

25. Employee benefit expense

	30 June 2007	30 June 2006
Wages and salaries	113,980	97,762
Staff and workers' welfare	13,083	10,159
Retirement scheme contributions	10,367	9,568
Management bonus	1,510	1,340
	138,940	118,829

The Company and its domestic subsidiaries participate in certain defined contribution retirement schemes managed by governmental organisation. According to the relevant provisions, these companies and their employees are required to make contributions to local governmental organisation at specified rates, depending on the respective place of incorporation, based on the basic salaries of the employees. The portion of expenses contributed by the Group is charged to the consolidated income statement.

26. Finance costs, net

	30 June 2007	30 June 2006
Interest expenses on bank borrowings	77,820	39,545
Less: interest capitalised in property, plant and equipment	(5,987)	(5,305)
	71,833	34,240
Interest income	(1,015)	1,788
	70,818	36,028

27. Income tax expense

	30 June 2007	30 June 2006
Current tax	28,456	15,646
Deferred tax (Note 9)	93	2,695
	<u>28,549</u>	<u>18,341</u>

In accordance with the prevailing Enterprise Income Tax (“EIT”) regulations, the Company and its subsidiaries in the PRC are subject to income tax at rates of 15% to 33%, depending on their respective place of incorporation. Subsidiaries located abroad are subject to tax rates of their place of incorporation.

Those subsidiaries that are enterprises with foreign investment in the PRC and meet certain criteria are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the following three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weight average tax rate applicable to profit of the consolidated entities as follows:

	30 June 2007	30 June 2006
Profit before income tax	219,848	204,980
Tax calculated at applicable tax rates of 15% to 33%	48,030	41,296
Tax benefits arising from preferential policies	(25,485)	(26,306)
Expenses not deductible for tax purposes	188	594
Tax losses on certain subsidiaries not recognised as deferred tax assets	5,816	2,757
Utilisation of unrecognised tax losses	-	-
Tax charge	<u>28,549</u>	<u>18,341</u>

The weight average applicable tax rate is 21.84% (2006: 20.15%). This applicable tax rate is raised due to the increase in profit contribution from the subsidiaries in the high tax areas to the Company.

28. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by number of ordinary shares in issue during the year.

	30 June 2007	30 June 2006
Profit attributable to equity holders of the Company	148,748,000	152,183,000
Number of ordinary shares in issue	1,015,463,000	1,015,463,000
Basic earnings per share (RMB cents per share)	14.65	14.99

The Company has no dilutive potential shares.

29. Dividend per share

A dividend in respect of the year ended 31 December 2006 of RMB0.45 per share, amounting to a total dividend of RMB456,958,350, has been paid on 18 June 2007.

30. Cash generated from operations

	30 June 2007	30 June 2006
Profit before income tax	220,411	204,980
Adjustments for:		
- Depreciation (Note 6)	159,749	111,622
- Amortisation (Note 7 and 8)	6,567	3,236
- Loss on disposals of property, plant and equipment (Note 23)	11,236	129
- Investment gain	(32)	
- Deferred tax assets abatement	93	
- Provision for obsolescence of inventories	534	(2,298)
- Provision/(Write back) of impairment for properties held for sale (Note 12)	(3,897)	(554)
- Provision for doubtful receivables (Note 13)	10,143	381
- Interest expense (Note 26)	71,833	50,054
- Interest income (Note 26)	(878)	(1,801)
- Fair value gains on fair value hedges (Note 24)		
- Exchange gain on borrowings	(32,327)	(8,388)
	<u>443,432</u>	<u>357,361</u>
Changes in working capital:		
- Inventories	(74,269)	(25,084)
- Properties held for sale	14,763	2,112
- Trade and other receivables	(45,365)	(113,402)
- Trade and other payables	<u>175,016</u>	<u>106,572</u>
Cash generated from operations	<u>513,577</u>	<u>323,335</u>

31. Principal subsidiaries

As of 30 June 2007, the Company has direct/indirect interest in the following principal subsidiaries:

Name	Place of incorporation	Principal activities	Percentage of equity interest held	
Shenzhen CSG Float Glass Co., Ltd.	PRC	Production and marketing of float glass	100%	100%
Guangzhou CSG Glass Co., Ltd.	PRC	Production and marketing of float glass	75%	75%
Chengdu CSG Glass Co., Ltd.	PRC	Production and marketing of float glass	75%	75%
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	PRC	Mining and marketing of silica sand	100%	100%
Sichuan Lu Xian CSG Silica Sand Mine Co., Ltd.	PRC	Mining and marketing of silica sand	98%	98%
Shenzhen CSG Wellight Coating Glass Co., Ltd.	PRC	Production coated glass products	100%	100%
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	PRC	Glass deep processing	100%	100%
Shenzhen CSG Architectural Glass Co., Ltd.	PRC	Glass deep processing	100%	100%
Shenzhen Nanbo Spandrel & Tempglass Co., Ltd.	PRC	Production of ornamental glass products	100%	100%
Tianjin CSG Architectural Glass Co., Ltd.	PRC	Glass deep processing	75%	75%
CSG (HK) Limited	Hong Kong	Glass trading	100%	100%
CSG (Australia) Pty. Limited	Australia	Glass trading	100%	100%
Shenzhen CSG Automotive Glass Co., Ltd.	PRC	Production and marketing of automotive glass	100%	100%
Shenzhen CSG Display Technology Co., Ltd.	PRC	Production of monitor display glass	75%	75%
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	PRC	Production of colour filter glass	70%	70%
Hainan CSG Industrial Development Co., Ltd.	PRC	Property development and management	100%	100%
Beihai CSG Real Estate Development Co., Ltd.	PRC	Property development and management	100%	100%
Tianjin CSG Industrial Development Co., Ltd.	PRC	Property development and management	100%	100%
Sichuan CSG Industrial Development Co., Ltd.	PRC	Property development and management	100%	100%
Shenzhen CSG Structure Ceramics Co., Ltd.	PRC	Production of structural ceramic products	100%	100%
Shenzhen CSG Electronic Co., Ltd.	PRC	Production of ceramic electronic components	100%	100%
Shenzhen CSG Curtain Wall and PV Engineering Co., Ltd.	PRC	Glass curtain wall installation	100%	100%
Dongguan CSG Architectural Glass Co., Ltd.	PRC	Glass deep processing	100%	100%
Dongguan CSG Solar Glass Co., Ltd.	PRC	Production and marketing of solar glass	100%	75%
Yichang CSG Silicon Co., Ltd.	PRC	Production of poly-silicon materials	92%	67%
Wujiang CSG North-east Architectural Glass Co., Ltd.	PRC	Glass deep processing	100%	100%
Tianjin Energy Conservation Glass Co., Ltd.	PRC	Production of energy conservation glass	100%	100%
Shenzhen CSG PV-tech Co., Ltd.	PRC	Production of solar cells and modules.	100%	100%
Dongguan CSG PV-tech Co., Ltd.	PRC	Production of solar cells and modules.	100%	100%

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

The scope of this consolidated report excluded the CSG (Wuhan) Industrial Development Co., Ltd., this subsidiary's registration of cancellation was accomplished on 27 January 2007.

32. Commitments

As at 30 June 2007, capital expenditure contracted for but not recognised in the consolidated financial statements is as follows:

	Number '000	
	30 June 2007	30 June 2006
Purchase of property, plant and equipment	1,137,493	1,010,220

33. Significant related party transactions

- i) Significant related party transactions and balances with Total Logistics (Shenzhen) Co., Ltd., a company controlled by a major shareholder, , Shenzhen International Holdings Limited ("Shenzhen International"), who has influence over the Group, are as follows:

		Number '000
	30 June 2007	30 June 2006
Transportation fee for the period	20,024	17,189
	30 June 2007	30 June 2006
Balance included in accounts payables	24,164	8,901

These transactions were carried out in ordinary course of business and at market prices. The amount due is payable in accordance with the terms of the contracts.

34. Post balance sheet events

From the resolutions in the 19th meeting of the 4th Board of Directors of the Company on the 27 July 2007, the Company plans to close down the Sichuan Lu Xian CSG Silica Mine Co., Ltd.(Abbr: Lu Xian Silica Mine). According to the appraisal report from Vocation (Beijing) International Asset Assessment Co., Ltd, to the date of 31 May 2007, the appraisal value of the Lu Xian Silica Mine is RMB 19,967.70 thousand dollars, the termination of this subsidiary generates an appraisal loss of RMB 33,651.20 thousand dollars.

SUPPLEMENTARY INFORMATION FOR PERIOD ENDED 30 JUNE 2007

The impact of IFRS adjustments on PRC Accounts are as follows:

	Net consolidated profit for period ended 30 June 2007	Number '000 Net consolidated assets as at 30 June 2007
As per the PRC Accounts	191,861	2,601,795
Impact of IFRS adjustments:		
Recognition of deferred income tax		
Derecognition of deferred pre-operating expenses and other assets		
Reversal of amortisation of goodwill and derecognition of negative goodwill		
Recognition of subsidy income		
Recognition of waiver of payment by debtors as other gains		
Acquisition of Minority interest	(563)	
After IFRS adjustments	191,299	2,601,795

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.
10 August 2007**