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
		5,905,984	5,489,211
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
		1,161,318	1,287,112
Total assets		7,067,302	6,776,323
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
		2,351,406	2,632,511
Minority interest		250,389	312,300
Total equity		2,601,795	2,944,811
LIABILITIES			
Non-current liabilities			
Other payable	18	45,000	45,000
Borrowings	21	607,130	717,042
		652,130	762,042

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
		3,813,377	3,069,470
Total liabilities		4,465,507	3,831,512
Total equity and liabilities		7,067,302	6,776,323

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

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					
		Share capital	Other reserves	Retained earnings	Total	Minority interest	Total equity
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)

	Note	2007 30 June	2006 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 posit-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 dependents 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 meet the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 a 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 Stated Dollars (“USD”), Japanese Yuan (“JPY”) and EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

The Group hedges the foreign currency exposure of its contract commitments to purchase certain plant and equipment payable in foreign currencies. The forward contracts used in its programme mature in 12 months or less are, consistent with the related purchase commitments.

(ii) Price risk

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

(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	Elimination	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 January to June	**2006 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
	1,823,825	1,286,546

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
	1,389	1,482

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	37,689	9,078

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	136,344	99,800
	323,152	249,417

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	1,118	2,069
	1,465	2,496

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

	30 June 2007	31 December 2006
	Number ’000	
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:

	Unlisted A shares Number'000	Listed A shares subject to Restrictions Number'000	Listed A shares subject to No restrictions Number'000	Listed B shares Number'000	Total
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
	1,153,744	960,230

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
	44,285	31,266

21. Borrowings

	30 June 2007	31 December 2006
Non-current		
Unsecured bank borrowings	590,175	698,355
Secured bank borrowings	16,955	18,687
	607,130	717,042
Current		
Unsecured bank borrowings	2,591,775	2,055,582
Debentures	1,851	1,306
	2,593,626	2,056,888
	3,200,756	2,773,930

	30 June 2007	31 December 2006
Interests on bank borrowings are:		
- At fixed rates	1,641,888	1,582,538
- At floating rates	1,558,868	1,191,392
	3,200,756	2,773,930

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	318,802	355,546
	607,130	717,042

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
	28,549	18,341

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	28,549	18,341

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)
	443,432	357,361
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	175,016	106,572
Cash generated from operations	513,577	323,335

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:

	Number ’000	
	Net consolidated profit for period ended 30 June 2007	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