CSG HOLDING CO., LTD.

THE THIRD QUARTER REPORT 2004

CEO:ZENG NAN

October 2004

CSG HOLDING CO., LTD.
THE THIRD QUARTER REPORT 2004

I Important Notes

i The Board of Directors of CSG Holding Co., Ltd. (hereinafter referred to as the Company) and its directors hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.
ii The third quarter financial report of 2004 has not been audited.
iii Chairman of the Board of the Company Mr. Cheng Chao, CEO Mr. Zeng Nan and Chief Financial Supervisor Ms. Sun Jingbo hereby confirm that the Financial Report of the First Quarter Report is true and complete.
iv This Report is prepared both in Chinese and in English. Should there be any difference in interpretation of the text between the two versions, the Chinese version shall prevail.

II Company Profile

i Basic information of the Company

Short form of the stock	Southern Glass A / Southern Glass B	
Stock code	000012 / 200012	
	Secretary of the Board of directors	**Authorized representative in charge of securities affairs**
Name	Wu Guobin	Li Tao
Address	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC	CSG Building, No. 1, Industrial Road, Shekou, Shenzhen, PRC
Telephone	0755-26860666	0755-26860666
Fax	0755-26692755	0755-26692755
E-mail	szcsgcsg@public.szptt.net.cn	szcsgcsg@public.szptt.net.cn

ii Financial Information

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

	30 September 2004	**31 December 2003**	**Increase/decrease in amount at the report period-end from the end of last year (%)**
Total assets	4,563,749	3,526,990	29.40
Shareholders' equity	2,266,887	2,132,202	6.32
Equity per share	RMB 3.35	RMB 3.15	6.32
	The 3rd quarter of 2004	**From 1 January to 30 September, 2004**	**Increase/decrease in amount in the report period from the same period of previous year (%)**
Net cash flow from operating activities	-	358,154	-
Earning per share	RMB 0.132	RMB 0.409	35.94
Return on equity (%)	3.93	12.21	0.76

(ii) Income Statement

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2004

	The 3rd quarter of 2004	The 3rd quarter of 2003	From January to September, 2004	From January to September, 2003
	RMB'000	RMB'000	RMB'000	RMB'000
Sales	483,908	370,280	1,334,155	943,277
Cost of sales	(297,085)	(228,090)	(821,798)	(597,912)
Gross profit	186,823	142,190	512,357	345,365
Other operating income	1,134	867	7,494	5,887
Distribution costs	(30,146)	(29,088)	(84,159)	(72,713)
Administrative expenses	(40,802)	(34,280)	(92,882)	(79,125)
Other operating expenses	(169)	(154)	(638)	(827)
Profit from operations	116,840	79,535	342,172	198,587
Finance costs, net	(10,243)	(4,691)	(18,449)	(17,941)
Profit before tax	106,597	74,844	323,723	180,646
Income tax expense	(8,973)	(5,753)	(25,716)	(13,023)
Profit after tax	97,624	69,091	298,007	167,623
Minority interests	(8,451)	(3,493)	(21,210)	(9,513)
Net profit	89,173	65,598	276,797	158,110
Earnings per share	RMB 0.132	RMB 0.097	RMB 0.409	RMB 0.234

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

Total number of shareholders at the end of report period: 48,064 (including 17,217 of A-share and 30,847 of B-share)

Shares held by the top ten shareholders of circulating shares:

Name	Number of circulating shares held at the end of report period	Type
China Merchants (Glass Industry) Holding Co., Ltd.	11,015,268	B
BTFE-Value Partners Intelligent FD-China B SHS FD	8,533,729	B
Value Partners Intelligent Funds-Chinese Mainland Focus Fund	8,191,491	B
Gguotai Junan Securities Hong Kong Limited	6,693,299	B
GTJA Allianz Desheng Small Refined Securities Investment Funds	4,304,337	A
Haifutong Earnings Growth Securities Investment Funds	3,721,384	A
Dacheng Blue Chips Steady Securities Investment Funds	3,613,431	A
Jingfu Securities Investment Funds	3,512,368	A
Lion Balance Securities Investment Funds	3,435,460	A
Nomura TB/Nomura ITM	3,000,000	B

III Discussion and analysis of the operation

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

In the 3rd quarter 2004, macro-economy in the internal still kept a good trend. Although the government has conducted strong macro-economic control to partial industries and its influence to partial industries also took on in the 3rd quarter, the management of the Company replied seriously and strengthened operating management under the lead of the Board of Directors. All businesses were not influenced obviously, and still kept relatively good growth trend. In the report period, sales price of float glass increased obviously over the same period of last year, which counteracted great pressure in continuous rise in prices of such main raw materials as heavy oil and soda ash etc. Meanwhile, the Company strengthened the control of all other expenses and expenditures. Net profit of float glass increased 46% over the same period of last year. ITO glass always kept good sales since the beginning of the year, and sales income and net profit in the 3rd quarter increased 56% and 87% respectively over the same period of the last year. The influence of glass processing business from macro-economic control was relatively great. The Company conducted relatively cautious principle in the sales and customer credit in order to reduce operating risks, so sales income and net profit realized in the 3rd quarter only increased 22% and 15% respectively over the same period of last year, both of which were lower than the average growth level of the Company. Real estate made up the deficits and got surpluses by catching the good chance that the demand in real estate market was prosperous in this year. During early three quarters, the Company realized sales RMB 1,334.16 million, increasing 41.44% compared with the same period of the previous year; realized net profit RMB 276.80 million, increasing 75.07% compared with the same period of the previous year. In the 3rd quarter, the Company realized sales RMB 483.91 thousand and net profit RMB 89.17 thousand, increasing 30.69% and 35.94% respectively compared with the same period of the previous year.

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

√ Applicable ☐Non-applicable

Industry	**Income from January to September, 2004 (RMB'000)**	**Income from January to September, 2003 (RMB'000)**
Sales of glass products	1,170,997	862,368

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

☐Applicable √ Non-applicable

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

☐Applicable √ Non-applicable

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

☐Applicable √ Non-applicable

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

☐Applicable √ Non-applicable

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

☐Applicable √ Non-applicable

iii Explanation on the change of accounting policy, accounting estimate and consolidation scope as well as the reason for significant accounting false
□Applicable √Non-applicable

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

v Caution and explanation of reason of forecasting a possible loss in accumulated net profit from the year-begin to the end of next report period or significant change of accumulated net profit in comparison with the same period in last year.
√Applicable □Non-applicable
Since 2004, the Company has kept a good trend of growth. The Company realized net profit RMB 276.80 million at the end of the 3rd quarter 2004, exceeding the net profit RMB 202.63 million in 2003. Meanwhile, the overall production of Color Filer project would affect on the achievements of the Company actively in the 4th quarter 2004. The Company estimates that the net profit of the Company in 2004 will increase over 50% compare with the last year.

vi Adjustment on the disclosed annual operating plans or budget
□Applicable √Non-applicable

Board of Directors of
CSG Holding Co., Ltd.
22 October 2004

CSG HOLDING CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2004

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CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2004

	30 September 2004	31 December 2003
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,866,331	2,064,436
Construction-in-progress	492,787	559,601
Land use rights	132,276	91,283
Intangible assets	5,436	(5,954)
Available-for-sale investments	8,482	9,078
Deferred tax assets	927	927
	3,506,239	2,719,371
Current assets		
Inventories	161,985	103,887
Properties held for sale	184,433	231,558
Trade receivables	275,022	214,317
Other receivables and prepayments	43,843	38,154
Trading investments	741	859
Cash and cash equivalents	391,486	218,844
	1,057,510	807,619
Total assets	4,563,749	3,526,990
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	676,975	676,975
Reserves	1,176,063	1,196,089
Retained earnings	413,849	259,138
	2,266,887	2,132,202
Minority interests	114,735	91,272
Non-current liabilities		
Borrowings	517,389	163,337
Current liabilities		
Trade and other payables	502,140	337,869
Current tax liabilities	21,481	18,626
Borrowings	1,141,117	783,684
	1,664,738	1,140,179
Total equity and liabilities	4,563,749	3,526,990

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2004

	From January to September, 2004 RMB'000	From January to September, 2003 RMB'000
Cash flows from operating activities		
Cash generated from operations	404,586	325,266
Interest paid	(22,615)	(17,434)
Income tax paid	(23,817)	(10,451)
Net cash from operating activities	358,154	297,381
Cash flows from investing activities		
Purchase of property, plant and equipment	(780,026)	(395,953)
Purchase of land use rights	-	(10,991)
Purchase of trading investments	(932)	-
Purchase from sale of trading investments	1,306	-
Purchase from sale of property, plant and equipment	818	-
Interest received	1,219	898
Net cash used in investing activities	(777,615)	(406,046)
Cash flows form financing activities		
Proceeds from borrowings	2,281,351	1,438,217
Repayments of borrowings	(1,569,865)	(1,199,879)
Dividends paid to shareholders	(121,432)	(101,132)
Dividends paid to minority interests	(11,726)	(11,653)
Capital contributed by minority shareholders	13,991	6,007
Pledged bank deposits	484	715
Net cash generated from (used in) financing activities	592,803	132,275
Effect of exchange rate changes	(216)	52
Net decrease in cash and cash equivalents	173,126	23,662
Cash and cash equivalents at beginning of year	213,859	179,865
Cash and cash equivalents at end of year	386,985	203,527