

**CSG HOLDING CO., LTD.**

**SEMI-ANNUAL REPORT 2009**



**Chairman of the Board:**

**ZENG NAN**

July 2009

## IMPORTANT NOTICE

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

Mr. Zeng Nan, Chairman of the Board & CEO of the Company, CFO Mr. Luo Youming and principle of the financial department Mr. Huang Yanbin confirm that the Financial Report enclosed in this 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 Basic Information of the Company

#### (i) Registered 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: Zeng Nan

#### (iii) Secretary of the board of directors: Wu Guobin

Securities affairs representative: Li Tao

Address: CSG Building, No.1, 6<sup>th</sup> Industrial Road, Shekou, Shenzhen, China.

Tel: (86) 755-26860666

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E-mail: securities@csgholding.com

#### (iv) Registered office address: CSG Building, No.1, 6<sup>th</sup> Industrial Road, Shekou, Shenzhen, P.R.C.

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.

Website for disclosing the information: <http://www.cninfo.com.cn>

The place where the Semi-Annual Report is prepared and kept: 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 Data Highlights

### (i) Major accounting data as of the report period

Unit: RMB Yuan

	<u>30 June 2009</u>	<u>31 December 2008</u>	<u>Increase/decrease at the end of this report period compared with that at the end of last year (%)</u>
Total assets	10,610,427,433	10,376,061,066	2.26%
Shareholders' equity	4,725,146,735	4,544,606,539	3.97%
Net assets per share (RMB)	3.86	3.67	5.18%
	<u>Jan.-Jun. 2009</u>	<u>Jan.-Jun. 2008</u>	<u>Increase/decrease in this report period year-on-year (%)</u>
Operating profit	298,102,608	492,616,293	-39.49%
Total profit	311,966,965	495,964,965	-37.10%
Net profit attributable to equity holders of the Company	261,159,985	409,853,633	-36.28%
Net profit attributable to equity holders of the Company after extraordinary gains and losses	245,535,307	363,766,326	-32.50%
Basic earnings per share	0.21	0.35	-40.00%
Diluted earnings per share	0.21	0.35	-40.00%
Return on equity (%)	5.53	9.71	Decrease 4.18 percentage points
Net cash from operating activities	660,353,612	478,472,634	38.01%
Net cash from operating activities per share	0.54	0.40	35.00%
<b>Items of extraordinary gains and losses</b>			<b>Amount</b>
Gain on disposal of non-current assets			1,201,339
Gains on disposal of available-for-sale financial assets			6,939,570
Net value of other non-operating expenses			12,663,018
Tax effects on extraordinary gain and losses			(2,742,967)
Extraordinary gains and losses of minority interests			(2,436,282)
<b>Total</b>			15,624,678

### (ii) Differences in Domestic and International accounting standards (Unaudited)

Unit: RMB

	<u>Net profit attributable to equity holders of the Company</u>	<u>Total equity attributable to equity holders of the Company</u>
<b>As reported under CAS (2006):</b>	261,159,985	4,725,146,735
Adjustment in goodwill	-	(3,039,946)
<b>As reported under IAS:</b>	261,159,985	4,722,106,789

### (iii) Statement of return on equity and earnings per share

Unit: RMB Yuan

<u>Item</u>	<u>Jan.-Jun. 2009</u>			
	<u>Return on equity</u>		<u>Earning per share</u>	
	<u>Fully diluted</u>	<u>Weighted average</u>	<u>Basic</u>	<u>Diluted</u>
Net profit attributable to equity holders of the Company	5.53%	5.56%	0.21	0.21
Net profit attributable to common shareholders of the Company after extraordinary gains and losses	5.20%	5.23%	0.20	0.20

## II Change in Share Capital and Particulars about the Shareholders

### i Change in Share Capital

- (i) In the report period, the total amount of share capital decreased due to buy back and write off part restricted shares bestowed by stock incentive plans of the Company, and the share structure changed due to the expiration on restricted tradable period of part of restricted shares with restricted tradable conditions, the change is as follows:

Unit: Share

	<u>Before the change</u>		<u>Increase / Decrease (+/-)</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>
<b>Restricted shares</b>	248,743,006	20.11%	-40,364,867	-40,364,867	208,378,139	17.03%
State-owned shares	0	0			0	0
State-owned legal person's shares	90,837,560	7.34%	-10,837,560	-10,837,560	80,000,000	6.54%
Other domestic shares	157,905,446	12.76%	-29,527,307	-29,527,307	128,378,139	10.49%
-Domestic legal person's shares	108,662,277	8.78%	-16,059,138	-16,059,138	92,603,139	7.57%
-Domestic natural person's shares	49,243,169	3.98%	-13,468,169	-13,468,169	35,775,000	2.92%
Foreign-owned shares	0	0	0	0	0	0
-Foreign legal person's shares	0	0	0	0	0	0
-Foreign natural person's shares	0	0	0	0	0	0
<b>Unrestricted shares</b>	988,360,118	79.89%	26,999,867	26,999,867	1,015,359,985	82.97%
RMB ordinary shares	539,781,299	43.63%	26,999,867	26,999,867	566,781,166	46.32%
Domestic listed foreign shares	448,578,819	36.26%	0	0	448,578,819	36.66%
Overseas listed foreign shares	0	0	0	0	0	0
Others	0	0	0	0	0	0
<b>Total shares</b>	<b>1,237,103,124</b>	<b>100%</b>	<b>-13,365,000</b>	<b>-13,365,000</b>	<b>1,223,738,124</b>	<b>100%</b>

- (ii) The date for the restricted shares to be unrestricted

Unit: Share

<u>Date</u>	<u>Additional shares tradable after restricted period</u>	<u>Balance of the restricted shares</u>	<u>Balance of the unrestricted shares</u>
15 October 2010	172,500,000	0	1,187,859,985

*Note: The shares in the statement did not include the original legal person shares which had not yet accomplish the procedures of releasing the restriction in the Share Merger Reform, and also did not include the shares held by directors, supervisors and the restricted share issued by stock incentive plan.*

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

Unit: Share

No	Name of the restricted shareholders	the restricted shares held	Date to be listed	Additional listed shares	Restricted condition
1	China Ping'an Trust & Investment Co., Ltd.	80,000,000	15 October 2010	80,000,000	Note 1
2	Citics Securities Co., Ltd.	80,000,000	15 October 2010	80,000,000	Note 1
3	CIL Holdings Limited	6,250,000	15 October 2010	6,250,000	Note 1
4	Zhejiang Silicon Paradise Pengcheng Venture & Investment Co., Ltd.	6,250,000	15 October 2010	6,250,000	Note 1
5	Zeng Nan	3,000,000	-	-	Note 2
6	Ke Hanqi	1,200,000	-	-	Note 2
7	Wu Guobin	1,200,000	-	-	Note 2
8	Zhang Fan	1,200,000	-	-	Note 2
9	Luo Youming	1,200,000	-	-	Note 2
10	Ding Jiuru	1,125,000	-	-	Note 2

Note 1: In October 2007, the Company issued 172,500,000 A shares to specific investors, the subscriber should not take transaction within 36 months since the date of the shares listing in the market.

Note 2: According to Restricted A Share Incentive Plan, the Company has accomplished the grant for these restricted shares on 14 July 2008. The granted day of the restricted shares was 16 June 2008, the lockup period is 12 months since the granted day, and the 48 months afterwards are unlocking periods. If the unlocking conditions regulated in the incentive plan are satisfied in each unlocking period, the incentive staffs could apply to unlock 25% of the total amount of restricted shares after 12 months, 24 months, 36 months and 48 months respectively since the granted day.

## ii Particulars about the Major Shareholders

(i) By the end of report period, the Company had total 154,256 shareholders, of which 114,757 held of A-shares and 39,499 held of B-shares.

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

Unit: Share

## Particulars about the shares held by the top ten shareholders

Name	Nature	Total amount	Propor- tion	Restricted shares	shares pledged or frozen
① China Ping'an Trust & Investment Co., Ltd.	-	80,000,000	6.54%	80,000,000	0
② Citics Securities Co., Ltd.	State-funded	80,000,000	6.54%	80,000,000	0
③ Xin Tong Chan Development (Shenzhen) Co., Ltd.	-	55,051,181	4.50%	0	0
④ China North Industries Corporation	State-funded	54,125,492	4.42%	0	0
⑤ Yiwang Industrial Development (Shenzhen) Co., Ltd.	-	52,674,700	4.30%	0	0
⑥ Guotai Junan Securities Hong Kong Limited	Foreign-funded	16,555,770	1.35%	0	0
⑦ Zhongrong International Trust Co., Ltd. - Zhongrong China Construction Bank Fortune No.4-001	-	12,290,006	1.00%	0	0
⑧ Industrial and Commercial Bank of China - China Southern Composition Selected Stock Fund	-	7,111,263	0.58%	0	0
⑨ Industrial and Commercial Bank of China - Lion Balanced stock Fund	-	6,690,624	0.55%	0	0
⑩ CIL Holdings Limited	-	6,250,000	0.51%	6,250,000	0
⑩ Zhejiang Silicon Paradise Pengcheng Venture & Investment Co., Ltd.	-	6,250,000	0.51%	6,250,000	0

**Particulars about the shares held by the top ten unrestricted shareholders**

<u>Name</u>	<u>Unrestricted shares</u>	<u>Type</u>
① Xin Tong Chan Development (Shenzhen) Co., Ltd.	55,051,181	A-share
② China North Industries Corporation	54,125,492	A-share
③ Yiwang Industrial Development (Shenzhen) Co., Ltd.	52,674,700	A-share
④ Guotai Junan Securities Hong Kong Limited	16,555,770	B-share
⑤ Zhongrong International Trust Co., Ltd. - Zhongrong China Construction Bank Fortune No.4-001	12,290,006	A-share
⑥ Industrial and Commercial Bank of China - China Southern Composition Selected Stock Fund	7,111,263	A-share
⑦ Industrial and Commercial Bank of China - Lion Balanced stock Fund	6,690,624	A-share
⑧ Industrial and Commercial Bank of China—BOC Sustainable Growth Stock Fund.	5,816,900	A-share
⑨ MTDL-Standard Life Pacific Basin Trust	5,167,833	B-share
⑩ China Pacific Insurance (group) Co., Ltd.—Traditional—General Insurance Products	4,999,924	A-share
<b>Statement on associated relationship among the above shareholders or consistent action</b>	Among shareholders as listed above, Yiwang 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 other shareholders.	

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

#### IV Directors, Supervisors and Senior Executives

i In the report period, change in shares held by directors, supervisors, and senior executives

Unit: Share

<u>Name</u>	<u>Title</u>	<u>Shares held at the year-begin</u>	<u>Change in the report period</u>	<u>Shares held at the end of the report period</u>	<u>Reason for change</u>	<u>Date of change</u>
Zeng Nan	Chairman of the Board/ CEO	4,137,559	-1,000,000	3,137,559	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18
Ke Hanqi	President	1,600,000	-400,000	1,200,000	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18
Luo Youming	Chief Financial Officer	1,600,000	-400,000	1,200,000	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18
Wu Guobin	Director/ Vice President/ Secretary of the Board	1,600,000	-400,000	1,200,000	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18
Zhang Fan	Vice President	1,600,000	-400,000	1,200,000	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18
Ding Jiuru	Vice President	1,500,000	-375,000	1,125,000	Repurchased and wrote off the restricted shares bestowed by stock incentive plan	2009.6.18

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

On 27 March 2009, the 7th meeting of the 5th board was held, in which Chairman of the Board / CEO / President of the Company Mr. Zeng Nan resigned his concurrent post as President of the Company. And according to the nomination of Mr. Zeng Nan, the board of director appointed Ke Hanqi as President of the Company to assist CEO in managing the routine operation.

## V Report of the Board of Director

### i Discussion and Analysis about the Operation

The global economy still stays in recession in the first half year of 2009. Under the effect of a series of policies and measures adopted by the government, such as active fiscal policy, adequate loose monetary policy, as well as programming for industry revitalization and local development, a series of active changes occurred in domestic economies. However, negative influence brought by the global financial crisis should not be neglected. The market demand is not so easy to turn over in a short time, especially the persistently weak demand from overseas, that brought a comparatively big pressure and uncertainty to entity economy. Faced with such serious market environment, the Company had carried out effective strategies, such as ensuring operation rate of equipments, raising market share and diversified operation with low cost. In the first half year of 2009, the Company realized operation income of RMB 2.066 billion and RMB 0.261 billion for net profit (gains and losses of minority shareholders were already deducted).

**Flat glass industry:** After the recession in the 1<sup>st</sup> quarter, though industrial situation turned to be better in the 2<sup>nd</sup> quarter, the business still faces comparatively great challenge, due to the fast rising of raw material price, especially heavy oil price, the uncertainty of market demand. Flat glass business department actively promoted lean production and further improved production efficiency and finished product rate. Meanwhile, it took its advantage in manufacture technics of high level float glass to reinforce R&D. The float ultra-white glass has already made a breakthrough progress with independent R&D. The quality of the glass has already reached or even surpassed the advanced level among the industry of the nation; the department has already succeed to release crystal-gray and emerald-green products with high added-value, which effectively avoided homogenized competition in glass market.

**Architectural glass industry:** With influence from outer economic environment, market demand for architecture glass had been affected to some degree. In the first half year, architecture glass department fully took advantage of its industry layout and scale, and advanced cost advantage through optimizing procedure. The department also actively promoted application of energy-saving glass products in civil architecture market, grasped firmly the opportunities brought by Asian Games, University Games and World Expo. By

combining the advantage in industry layout to strengthen market development, the department in obtained good results.

**Fine glass and porcelain industry:** Influenced by continuously-fallen price of products and pressure of weak demand from overseas market, the display industry faced an overall loss in the first half year, and the situation was very hard for many enterprises to get through. In front of huge pressure from overseas market, the fine glass and porcelain department of the Company actively explored domestic market through holding the opportunity of domestic 3G market. Meanwhile, it took improvement of fine management level as the material channel to response crisis and advance comprehensive competitive ability. By doing so, utilization rate of capacity and profitable ability of the industry got resume step by step.

**Solar Energy Industry:** Since polysilicon project in Yichang had been successfully put into trial operation in 2009, its production technical index received comparatively improvement and took the leading position in the industry through continuous improvement and optimization in production techincs. As for the solar PV battery project, by continuous improvement in techincs, its photoelectric coversion ratio has been improved to exceed 17.3%, and its performance parameters and quality have already reached the advanced level among the industry of the nation. The advantage of the complete solar PV industry chain will be visualized gradually.

## ii Operations in the Report Period

### (i) Main operations scope and operation performance

Main business scope: producing, manufacturing and selling of energy-saving architecture materials such as flat glass and architecture glass, renewable energy products such as silicon materials and PV module, as well as new material and high-tech products such as fine glass and structure porcelain (for projects involved in production license and environment-protection approval document, they are declared particularly by subsidiaries). Providing coordination and service to subsidiaries in problems relevant to operation decision, administration consultation, market information, technical support as well as post training..

#### A Main business income classified according to industry

Unit: RMB Yuan

<b>Industry</b>	<b>Jan.~Jun., 2009</b>		<b>Jan.~Jun., 2008</b>	
	<b>Income of main business</b>	<b>Cost of main business</b>	<b>Income of main business</b>	<b>Cost of main business</b>
Flat glass industry	1,112,939,543	840,514,251	1,192,204,062	873,269,018
Architectural glass industry	852,949,006	554,395,287	746,749,681	504,115,904
Fine glass industry	187,473,073	123,263,915	265,247,829	146,164,535
Solar energy industry	2,593,625	2,712,603	-	-
Others	33,082,675	18,860,433	18,944,504	15,606,799
- Elimination	-129,562,245	-122,807,308	-97,615,084	-97,615,084
<b>Total</b>	<b>2,059,475,677</b>	<b>1,416,939,181</b>	<b>2,125,530,992</b>	<b>1,441,541,172</b>

Note : The Company reorganized Dongguan CSG Solar Glass Co., Ltd. to the segment of Floating Glass in the second half year 2008. The relevant comparatives have been restated.

## B Main business income classified according to location

Unit: RMB Yuan

<u>Location</u>	<u>Jan.~Jun., 2009</u>		<u>Jan.~Jun., 2008</u>	
	<u>Income of main business</u>	<u>Proportion (%)</u>	<u>Income of main business</u>	<u>Proportion (%)</u>
Mainland, P.R.C.	1,731,690,500	84.08	1,769,641,865	83.26
Hong Kong, P.R.C.	142,108,402	6.90	197,643,909	9.30
United States	30,823,575	1.50	36,504,970	1.72
Australia	10,543,385	0.51	16,995,027	0.80
Others	144,309,815	7.01	104,745,221	4.93

## C Products accounting for over 10% of the main business income

Unit: RMB Yuan

<u>Product</u>	<u>Jan.~Jun., 2009</u>			<u>Increase/decrease in this report period compared with the same period in last year</u>			
	<u>Income of main business</u>	<u>Cost of main business</u>	<u>Gross profit ratio</u>	<u>Income of main business</u>	<u>Cost of main business</u>	<u>Gross profit ratio</u>	
Float glass	1,112,939,543	840,514,251	24.48%	-6.65%	-3.75%	Decrease 2.27 percentage points	
Architectural glass	852,949,006	554,395,287	35.00%	14.22%	9.97%	Increase 2.51 percentage points	
Fine glass	187,473,073	123,263,915	34.25%	-29.32%	-15.67%	Decrease 10.65 percentage points	

- (ii) There was no material change happened to profit constitution, main business or its structure as well as its profit-making ability in the report period.
- (iii) In the report period, the company had no other operation 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 countermeasures in the operation

In the second half year 2009, as 900T float glass production line is going to put into operation in Chengdu, the capability of the Company in float glass will be doubled compared with last year. Uncertainty of market demand and fluctuation of price for raw materials will bring huge pressure to float glass industry. For that, the Company will improve integrated operation level of all float assembly line, promote fine management, and continue to carry out strategy of low-cost and diversity production, aiming to consolidate and enhance the core competency and market position in flat glass industry.

As the Phase II projects in Tianjin and Wujiang come into commercial operation with their energy-saving glass in the second half year, the Company's capacity scale in energy-saving glass reaches 12 million square meters approximately. So, improving utilization of capacity further is the problem faced by architecture glass department.

Therefore, besides promotion of diversified strategy in public architecture market, the Company will also strengthen development of civil market for energy-saving glass.

As for fine glass industry, pressure still exists due to weak market demand. The Company will strengthen transformation of product and business structure of fine glass industry, reinforce internal administration and further increase the equipments' operation rate and market share.

### iii Investment in the Report Period

#### (i) Usage of raised funds

In October 2007, the Company privately offered 172,500,000 A-shares which raised RMB 1.372 billion (not including issuing expense). The use of raised fund in the report period is as follows:

Unit: RMB'0000

<u>Total raised fund</u>	<u>Fund used in the report period</u>		<u>Fund used in total</u>		
137,200	12,036		137,200		
<u>Target project</u>	<u>Changes in project</u>	<u>Fund required</u>	<u>Fund used</u>	<u>Profits generated</u>	<u>Is it in Schedule</u>
1500T/Year poly-silicon project	No	45,000	12,036	-871	Yes
Wujian Low-E glass project	No	29,600	0	4,415	Yes
Dongguan glass processing base	No	35,000	0	7,415	Yes
Tianjing Low-E glass project	No	27,600	0	3,279	Yes
<b>Total</b>	—	137,200	12,036	14,238	—
<u>Reasons of failure in meeting the schedule and expected return</u>	N/A				
<u>Explanation of changing in project</u>	N/A				
<u>Usage of remaining fund</u>	N/A				

The progress of the projects is as follows:

<u>Project</u>	<u>Project progress</u>
1500T/Year poly-silicon project	The project has put into trial operation in November 2008. The first furnace of high-purity poly-silicon has been made out successfully in December. At present, the system runs normally. Various techniques parameters are optimized unceasingly in order to further improve finished-product rate and unceasingly reduce cost. It is predicted to start commercial operation in the second half year.
Wujian Low-E glass project	The 1 <sup>st</sup> phase of project has been put into operation in the 2 <sup>nd</sup> quarter of 2008. The 2 <sup>nd</sup> phase of project started operation in the 1 <sup>st</sup> half year 2009.
Dongguan glass processing base	The project has been put into commercial operation in 2008.
Tianjing Low-E glass project	The 1 <sup>st</sup> phase of project has been put into operation in the 2 <sup>nd</sup> quarter of 2008. The 2 <sup>nd</sup> phase of project started operation in the 1 <sup>st</sup> half year 2009.

## (ii) Investment of non-raising fund

Unit: RMB'0000

<b>Project</b>	<b>Amount</b>	<b>Progress of project</b>	<b>Earning</b>
Hebei CSG float glass project	73,900	This first line and the second line of the project have been successfully fired in October 2008 and March 2009 separately, and currently put into operation.	At the end of report period, the profit of RMB 3.58 million was made in the project.
Chengdu CSG new float glass production line	45,900	Planning to build a new 900T/D production line for top grade float glass. It mainly produces 5-12mm top grade float glass. The construction of the production line was basically finished and it estimated to fire in July 2009.	In the report period, the project is in still in construction.
Chengdu CSG waste-heat generation project	6,694	Planning to build a waste-heat power plant with the total generation capacity of 12 MW used with the waste heat emission from production line of Chengdu CSG Float Glass, which could provide 90% electricity used in production line of Chengdu CSG. It is predicted to finish the project in July 2009.	In the report period, the project is in still in construction.
The 1 <sup>st</sup> phase of project of Jiangyou Mine	7,000	Building a base in processing quartz in Jiangyou city. The annual capacity of 1 <sup>st</sup> phase of 300,000 tons. At present, the overall planning and design have accomplished and entered into the construction stage, It is predicted to put into production at the beginning of 2010.	In the report period, the project is in still in construction.
Chengdu CSG new coated glass production line	24,800	Planning to build a production line and its supporting facilities. It mainly produces energy saving Low-E glass. The 1 <sup>st</sup> phase of the project will be completed at the end of year 2009. After the completion of the project, the yearly production capacity of Low-E compound-processed glass is 1.25 million square meters. At present, the project is in preparation.	In the report period, the project is in still in construction.
Yichang CSG 160 MW silicon piece processing project	69,500	Planning to build solar battery silicon piece processing project with annual capacity of 160 MW. The 1 <sup>st</sup> phase of the project with 60MW will be started in June 2009.	In the report period, the project is in preparation.
Expansion project of solar cell	15,600	Planning to build a production line with annual capacity of 75 MW. Due to market situation, it is planned to invest in one polysilicon battery line of 25 MW first that will matche another monocrystalline silicon battery line of 25 MW which has been put into operation. At present, the machinery equipment was reached on spot, peripheral matched construction has been accomplished, it is estimated to put into production at the end of 3 <sup>rd</sup> quarter.	In the report period, the project is in still in construction.
TCO conductive glass project	8,577	Planning to introduce a TCO glass product line while applied in thin film solar cell with annual capacity of 460,000 square meter (3450 tons per year). At present, the production line was basically completed and ready for trial production.	In the report period, the project is in still in construction.
Touch panel module project	2,000	Planning to build multi-dot capacitance touch panel module production line from 2.5' to 5'. The capacity of the project in the first round is 100K per month. At present, the project has been finished and put into operation.	In the report period, no return has been realized by the project.
<b>Total</b>	253,971	-	-

iv The financial report in the semi-annual report 2009 of the Company has not been audited.

## VI Significant Events

### i. Corporate Governance

In strict compliance with the requirements of the relevant laws and regulation including The Company Law, Securities Law and Rule of Governance for Listed Company, the Company has been putting efforts in improving the corporate governance, strengthening management of information disclosure, regulating operation activities and establishing a modern corporate system. At present, the system for corporate governance of the Company is basically perfect, operation is regulated, corporate governance is consummated, which accord with the requirements of relevant document on corporate governance of listed company issued by CSRS.

In the report period, according to the requirement of Notice on Filling Investigation Questionnaire about Basic Work of Financial Accounting of Listed Company in Shenzhen (SZJGSZ[2008]No.30) issued by China Securities Regulatory Commission Shenzhen Bureau, the Company made an overall and deeply self-inspection to the finance system. Through the self-inspection, the Company completely arranged the setting of financial offices, establishment of system and usage of information system. The result shows that, the Company has established basically standard and perfect accounting calculation system according to laws and rules of the state and relevant regulations.

### ii. Implementation of the Profit Distribution Plan and Incentive Stock Plan

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

The profit distribution plan 2008 was approved at the Shareholders' General Meeting 2008 held on 5 June 2009, which the dividend would be distributed to shareholders in cash at the rate of RMB 1.00 for each 10 shares (including tax, and B shares would not deduct tax temporarily). The Company published a Notice on Dividend Distribution on China Securities Journal, Securities Times and Hong Kong Wen Wei Po dated 25 June 2009. The distribution has been accomplished basically.

Neither profit would be distributed nor would capital surplus be transferred into share capital in the semi-annual 2009.

#### (ii) Implementation of incentive plan

According to Restricted A Share Incentive Plan (hereinafter Incentive Plan for short) approved by the Shareholders' General Meeting, the Company actually issued 49,140,000 restricted A-shares to 244 incentive staff privately in July 2008, at price of RMB 8.58 per

share. The amount of raised fund is RMB 421,621,200.

Till November 2008, the following 5 incentive staff Huang Haidong, Peng Liqun, Jiang Zhenan, Yang Wenzhong and Wang Tong had dismissed. According to relevant regulations of incentive plan, the Company held the 6<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors on 24 December 2008 and decided to buy back and write off totally 890,000 restricted A-shares (all has been lockup) of the 5 persons with the price of RMB 8.58 per share.

According to audited data in 2008, the weighted average return on equity and weighted average return on equity after extraordinary gains and loses were respectively 9.77% and 8.14%, the annual average compound growth rate of the net profit after extraordinary gains and loses was -15.10% compared with that of 2007. The achievement index of the Company did not satisfied unlocking conditions in 2009. According to the regulations of incentive plan, the Company held the 7<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors on 27 March 2009 and decided to buy back and write off totally 12,062,500 restricted A-shares (all has been lockup) which were planned to unlock in 2009 from incentive staffs with the price of RMB 8.58 per share.

From January to March 2009, the following 8 incentive staff Chen Jinlong, Gui Feiyan, Li Linglong, Luo Li, Wang Lei, Zhang Jian, Zhang Sijin and Zhang Xiaodong had dismissed, and hadn't accorded with incentive condition. The Company held the 7<sup>th</sup> meeting of the 5<sup>th</sup> Board of Directors on 27 March 2009 and decided to buy back and write off remained 412,500 restricted A-shares (all has been lockup) of the 8 persons with the price of RMB 8.58 per share.

On 18 June 2009, the Company finished the work of buying back and writing off the aforesaid totally 13,365,000 restricted A-shares.

Details of the aforesaid could be found in relevant notices published on China Securities Journal, Securities Times, Hong Kong Wen Wei Po and Juchao Information website (www.cninfo.com.cn) dated 14 July 2008, 25 December 2008, 31 March 2009 and 19 June 2009.

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

iv. At the end of the report period, the equity of other companies held by the Company.

Unit: RMB								
<u>Stock Code</u>	<u>Stock Abbr.</u>	<u>Initial Investment</u>	<u>Proportion of equity held</u>	<u>Book value at the period end</u>	<u>Gains/ losses in 2008</u>	<u>Changes in Owners' Equity</u>	<u>Item in accounting</u>	<u>Share type</u>
000504	CCID Media	14,223,465	0.74%	15,868,069	0	8,910,001	Available-for-sale financial assets	Legal person share
<b>Total</b>	-	14,223,465	-	15,868,069	0	8,910,001	-	-

- v. In the report period, there isn't significant purchase and sale of assets and enterprise merger.
- vi. There is no significant related transaction in the report period.
- vii. 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. All of the guarantees for holding companies all belonged to loans which supported their production and operation. At the 30 June 2009, the guarantees were as follows:

Unit: RMB'0000

<b><u>Guarantee of the Company for the controlling subsidiaries</u></b>	
Total amount of guarantee for controlling subsidiaries in the report period	57,169
Balance of guarantee for controlling subsidiaries at the end of the report period	123,460
<b><u>Particulars about the guarantee of the Company(Including the guarantee for the controlling subsidiaries)</u></b>	
Total amount of guarantee	123,460
Proportion of the total guarantee in net assets of the Company (%)	26.13%
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%	46,800
- Total amount of guarantee in net assets of the Company exceeded 50%	0
Total amount of guarantee in aforesaid three terms	46,800

- (iii) In the report period, the Company has not entrusted others to conduct assets management.
- (iv) Special explanations and independent opinions from independent directors.

Independent directors' explanation on capital occupation of the Company's holding shareholders and other associated parties is: Ended 30 June 2008, there was no capital occupation of the Company's holding shareholders and other associated parties.

Independent directors' explanations on the Company's external guarantee is: In the report period, the Company did not offer any guarantee to the controlling shareholders, related parties which share proportion less than 50%, unincorporated company or individual. In the report period, total guarantee for the holding subsidiaries of the Company is RMB 1,234.60 million, which accounted for 11.90% of the total asset, and 27.17% of net asset attributable to equity holders of the Company audited at the end of 31 December 2008. All

the above guarantee has been approved by board of directors' meeting or shareholders' meeting, and has fulfilled information disclosure responsibility. In a word, we think the Company's external guarantee is in accordance with requirements of Notice of China Securities Regulatory Commission on Regulating Listed Companies' Provision of Guaranty to Other Parties(No. ZJF 120 [2005]) and other relevant regulations.

#### **viii. Commitment Events**

The Company has implemented share merger reform in May 2006. Till June 2008, the shares of the original non-tradable shareholders which holding over 5% total shares of the Company had all released. Therein, the original non-tradable shareholder Yiwan Industrial Development (Shenzhen) Co., Ltd. and Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. Shenzhen International planed to sell A-shares of CSG amounted above 5% of the CSG group's total shares within six months from 16 June 2009, the day releasing restricted condition of the stock. The price for sale is no less than 8 RMB per share. At the same time, Shenzhen International made commitment that it would strictly carry out related regulations of Securities Law, Administration of the Takeover of Listed Companies Procedures and Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions issued by CSRC during implementing share decreasingly-held plan and take information disclosure responsibility timely.

#### **ix. Punishment**

In the report period, the Company and its directors, supervisors, senior executives and actual controller have not received any investigation from entitled organization, coercive measures adopted by judicial or discipline inspection department, deportation to judicial organ or investigated for criminal responsibility, inspection and administrative punishment from CSRC, ban to stock market, circulating a notice of criticism, punishments by other administration department, and public condemnation by Shenzhen Stock Exchange.

#### **x. Other significant events**

##### **(i) Index of important information**

In the report period, the notices have all been published in Securities Times, China Securities Journal, Wen Wei Po and Juchao Information website ([www.cninfo.com.cn](http://www.cninfo.com.cn)).

<u>Date</u>	<u>No.</u>	<u>Name</u>
2009.2.3	2009-001	Notice on Share Decrease of Shareholders
2009.3.31	2009-002	Annual Report and its Summary of 2008
2009.3.31	2009-003	Notice on Resolutions of the 7 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors
2009.3.31	2009-004	Notice on Resolutions of the 5 <sup>th</sup> Meeting of the 5 <sup>th</sup> Supervisory Committee
2009.3.31	2009-005	Notice of Guarantee for Holding Subsidiaries
2009.3.31	2009-006	Notice on Abnormal Fluctuation of Share Trade
2009.3.31	2009-007	Notice on Share Decrease of Shareholders
2009.4.22	2009-008	The 1 <sup>st</sup> Quarterly Report of 2009
2009.4.22	2009-009	Notice on Resolutions of the 8 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors
2009.4.22	2009-010	Notice of Guarantee for Holding Subsidiaries
2009.5.9	2009-011	Notice on Share Decrease of Shareholders
2009.5.16	2009-012	Notice of Resolutions of the Extraordinary Meeting of the 5 <sup>th</sup> Board of Directors
2009.5.16	2009-013	Notice of Guarantee for Holding Subsidiaries
2009.5.16	2009-014	Notice on Holding the Annual Shareholders' General Meeting 2008
2009.6.6	2009-015	Notice on Resolutions of the Annual Shareholders' General Meeting 2008
2009.6.13	2009-016	Suggestive Notice on Release of Restricted Share
2009.6.19	2009-017	Notice on Accomplishment of Repurchase and write off of Restricted Stock Bestowed by Restricted A-share Incentive Plan
2008.6.17	2009-018	Notice on Profit Distributions of 2008

(ii) Particulars about the reception to investors in the report period.

<u>Time</u>	<u>Place</u>	<u>Method</u>	<u>Object</u>	<u>Contents</u>
2009.2.19	Conference Room	Interview	United Securities Co., Ltd., Great Wall Securities Co., Ltd.	Introduction of business and market situation of the Company
2009.2.20	Conference Room	Interview	Guotai Junan Securities Co.,Ltd., Everbright Securities Co., Ltd., First Capital Securities Co., Ltd.	Introduction of production scale of industries, market situation and the industry development of the Company
2009.2.25	Conference Room	Interview	GF Securities Co., Ltd., GF Fund Management Co., Ltd., Huafu Fund Management Co., Ltd.	Introduction of products, operations, marketing share and input on new energy industry of the Company
2009.3.3	Conference Room	Interview	Nikko Asset Management Co.,Ltd.	Introduction of business and operations of the Company
2009.4.8	Conference Room	Interview	Harvest Fund Management Co., Ltd., Changsheng Fund Management Co., Ltd., Bank of China Investment Management Co., Ltd., Baoying Fund Management Co., Ltd., UBS SDIC Fund Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., China Life Insurance Asset Management Co., Ltd.	Introduction of production and operations of each business department of the Company, present market environment and actuality of industry development at home and abroad
2009.4.10	Conference Room	Interview	China Southern Fund Management Co., Ltd., Century Securities Co., Ltd., China Universal Asset Management Co., Ltd., Chang Xin Asset Management Co., Ltd.	Introduction of productivity and marketing share of the products and operations of Solar Energy Business Department
2009.5.13	Conference Room	Interview	United Securities Co., Ltd., Zhong Hai Fund Management Co., Ltd., Bank of Communications Schroder Fund Management Co., Ltd., Shanghai SYWG Research & Consulting Co., Ltd.	Introduction of production and sales of industries, and planning for Solar Energy Industry of the Company

2009.5.14	Conference Room	Interview	CSC International Holdings Co., Ltd., Ping An Securities Co., Ltd., Donghai Securities Co., Ltd., Fortune Securities Brokerage Co., Ltd.	Introduction of capacities of business departments and market situation at home and abroad of the Company
2009.5.19	Conference Room	Interview	Guosen Security Asset Management Headquarters	Introduction of production and operations of the Company
2009.5.20	Conference Room	Interview	Sealand Securities Co., Ltd., Great Wall Securities Co., Ltd., Hengmao Asset Management Co., Ltd.	Introduction of business and market situation of the Company
2009.6.1	Conference Room	Interview	Guojin Tongyong Fund Management Co., Ltd.(Preparing for foundation), Peng Yuan (Beijing) Management Consulting Co., Ltd., SinoPac Securities (Asia) Ltd.	Introduction of production and sales of products of the Company

## VII Financial Report (Not Audited)

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**  
**AS AT 30 JUNE 2009**

(All amounts in RMB Yuan unless otherwise stated)

		30 June 2009	31 December 2008	30 June 2009	31 December 2008
<b>ASSETS</b>	Note	The Group	The Group	The Company	The Company
<b>Current assets</b>					
Cash at bank and on hand	7 (1)	596,750,958	1,033,779,912	313,799,050	783,242,506
Notes receivable	7 (2)	157,207,809	116,042,491	-	-
Accounts receivable	7 (3)	313,357,216	236,576,669	-	-
Advances to suppliers	7 (4)	83,180,847	52,940,729	3,928,858	3,257,858
Dividends receivable		-	-	388,946,343	120,450,718
Other receivables	7 (5), 13 (1)	45,312,247	34,964,981	781,432,406	777,038,513
Inventories	7 (6)	358,937,740	325,701,374	-	-
<b>Total current assets</b>		<b>1,554,746,817</b>	<b>1,800,006,156</b>	<b>1,488,106,657</b>	<b>1,683,989,595</b>
<b>Non-current assets</b>					
Available-for-sale financial assets	7 (7)	15,868,069	12,930,101	15,868,069	12,930,101
Long-term receivables	13 (3)	-	-	1,206,822,395	1,143,041,204
Long-term equity investments	7 (8), 13 (2)	27,200,000	27,200,000	2,939,827,978	2,791,009,616
Fixed assets	7 (9)	6,698,358,599	5,543,400,908	18,037,514	19,265,605
Construction in progress	7 (10)	1,909,103,668	2,620,093,574	-	-
Intangible assets	7 (11)	340,486,768	307,948,344	1,808,405	1,841,813
Goodwill	7 (12)	3,039,946	3,039,946	-	-
Deferred tax assets	7 (22)	61,623,566	61,442,037	-	-
<b>Total non-current assets</b>		<b>9,055,680,616</b>	<b>8,576,054,910</b>	<b>4,182,364,361</b>	<b>3,968,088,339</b>
<b>TOTAL ASSETS</b>		<b>10,610,427,433</b>	<b>10,376,061,066</b>	<b>5,670,471,018</b>	<b>5,652,077,934</b>

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**  
**AS AT 30 JUNE 2009 (CONTINUED)**

(All amounts in Rmb Yuan unless otherwise stated)

		30 June 2009	31 December 2008	30 June 2009	31 December 2008
<b>LIABILITIES AND OWNERS' EQUITY</b>	Note	The Group	The Group	The Company	The Company
<b>Current liabilities</b>					
Short-term borrowings	7 (13)	2,609,000,930	2,797,063,550	1,354,598,900	1,603,580,700
Notes payable	7 (14)	477,242,076	289,673,653	-	-
Accounts payable	7 (15)	842,081,409	743,432,885	-	-
Advances from customers	7 (16)	97,397,031	94,964,995	-	-
Employee benefits payable	7 (17)	45,574,471	40,005,228	15,366,122	2,710,000
Taxes payable	7 (18)	24,019,558	56,000,228	97,840	78,062
Interest payable		44,724,392	20,962,915	8,664,500	4,754,642
Dividends payable		3,695,819	3,212,152	3,695,818	3,212,152
Other payables	7(19), 13(4)	118,412,197	228,839,483	101,557,454	230,117,203
Current portion of non-current liabilities	7 (21)	68,943,414	83,968,751	-	-
Other current liabilities	7 (20)	10,768,073	10,914,222	-	-
<b>Total current liabilities</b>		<b>4,341,859,370</b>	<b>4,369,038,062</b>	<b>1,483,980,634</b>	<b>1,844,452,759</b>
<b>Non-current liabilities</b>					
Long-term borrowings	7 (21)	1,257,956,162	1,142,128,258	-	-
Special payables		1,800,000	2,100,000	-	-
Deferred tax liabilities	7 (22)	4,810,757	4,777,606	-	-
Other non-current liabilities	7 (23)	45,000,000	45,000,000	-	-
<b>Total non-current liabilities</b>		<b>1,309,566,919</b>	<b>1,194,005,864</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,651,426,289</b>	<b>5,563,043,926</b>	<b>1,483,980,634</b>	<b>1,844,452,759</b>
<b>Owners' equity</b>					
Paid-in capital	7 (24)	1,223,738,124	1,237,103,124	1,223,738,124	1,237,103,124
Capital surplus	7 (25)	2,108,542,878	2,067,761,896	2,150,576,900	2,107,751,509
Less: Treasury stock	7 (24)	-	(12,952,500)	-	(12,952,500)
Surplus reserve	7 (26)	391,040,358	391,040,358	391,040,358	391,040,358
Undistributed profits	7 (27)	1,002,138,697	863,352,524	421,135,002	84,682,684
Translation difference of foreign currency financial statements		(313,322)	(1,698,863)	-	-
<b>Total equity attributable to equity holders of the Company</b>		<b>4,725,146,735</b>	<b>4,544,606,539</b>	<b>4,186,490,384</b>	<b>3,807,625,175</b>
<b>Minority interest</b>	7 (28)	<b>233,854,409</b>	<b>268,410,601</b>	<b>-</b>	<b>-</b>
<b>Total owners' equity</b>		<b>4,959,001,144</b>	<b>4,813,017,140</b>	<b>4,186,490,384</b>	<b>3,807,625,175</b>
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>		<b>10,610,427,433</b>	<b>10,376,061,066</b>	<b>5,670,471,018</b>	<b>5,652,077,934</b>

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED AND COMPANY INCOME STATEMENTS**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**  
(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	Jan.~Jun. 2009 The Group	Jan.~Jun. 2008 The Group	Jan.~Jun. 2009 The Company	Jan.~Jun. 2008 The Company
Revenue	7 (29)	2,065,547,379	2,131,777,092	-	-
Less: Cost of sales	7 (29)	(1,419,088,769)	(1,442,974,922)	-	-
Tax and levies on operations	7 (30)	(2,788,785)	(2,018,866)	-	-
Selling and distribution expenses		(111,160,322)	(106,304,531)	-	-
General and administrative expenses		(187,534,021)	(144,777,403)	(36,652,268)	(18,246,677)
Finance expenses – net	7 (31)	(53,691,077)	4,807,167	12,652,894	4,446,682
Asset impairment losses	7(32), 13(5)	(121,367)	7,672,943	-	-
Add: Investment income	7(33), 13(6)	6,939,570	44,434,813	482,826,867	362,035,351
Operating profit		298,102,608	492,616,293	458,827,493	348,235,356
Add: Non-operating income	7 (34)	15,166,527	10,359,617	2,600	2,189,913
Less: Non-operating expenses	7 (34)	(1,302,170)	(7,010,945)	(3,963)	-
Including: Loss form disposal of non-current assets		(117,061)	(3,334,216)	(3,963)	-
Total profit		311,966,965	495,964,965	458,826,130	350,425,269
Less: Income tax expenses	7 (35)	(22,990,603)	(36,274,185)	-	-
Net profit		288,976,362	459,690,780	458,826,130	350,425,269
Attributable to equity holders of the Company		261,159,985	409,853,633	-	-
Minority interest		27,816,377	49,837,147	-	-
Earnings per share for the profit attributable to the shareholders of the Company during the report period					
- basic	7 (36)	0.21	0.35		
- diluted	7 (36)	0.21	0.35		
Other general income	7 (37)	5,044,229	(21,174,340)	3,658,688	(18,758,716)
Total general income		294,020,591	438,516,440	462,484,818	331,666,553
Attributable to equity holders of the Company		266,204,214	388,679,293	-	-
Attributable to equity holders of minority		27,816,377	49,837,147	-	-

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**

(All amounts in Rmb Yuan unless otherwise stated)

Items	Notes	Jan.~Jun. 2009 The Group	Jan.~Jun. 2008 The Group	Jan.~Jun. 2009 The Company	Jan.~Jun. 2008 The Company
<b>Cash flows from operating activities</b>					
Cash received from sales of goods or rendering of services		2,389,527,452	2,340,791,114	-	-
Refund of taxes and levies		20,925,167	6,835,548	-	-
Cash received relating to other operating activities		<u>51,965,762</u>	<u>37,090,102</u>	<u>194,290,838</u>	<u>546,504,682</u>
Sub-total of cash inflows		<u>2,462,418,381</u>	<u>2,384,716,764</u>	<u>194,290,838</u>	<u>546,504,682</u>
Cash paid for goods and services		(1,275,898,522)	(1,346,081,629)	-	-
Cash paid to and on behalf of employees		(180,525,063)	(206,376,486)	(6,531,129)	(28,084,677)
Payments of taxes and levies		(193,446,268)	(191,526,643)	(168,572)	(383,189)
Cash paid relating to other operating activities		<u>(152,194,916)</u>	<u>(162,259,372)</u>	<u>(265,165,692)</u>	<u>(399,145,155)</u>
Sub-total of cash outflows		<u>(1,802,064,769)</u>	<u>(1,906,244,130)</u>	<u>(271,865,393)</u>	<u>(427,613,021)</u>
Net cash flows from operating activities	7 (38)	<u>660,353,612</u>	<u>478,472,634</u>	<u>(77,574,555)</u>	<u>118,891,661</u>
<b>Cash flows from investing activities</b>					
Cash received from disposal of investments		7,658,227	184,031,033	7,658,227	278,143,440
Cash received from returns on investments		-	-	203,216,340	228,752,267
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,519,647	3,714,899	-	-
Cash received relating to other investing activities		<u>57,155,525</u>	<u>7,890,600</u>	<u>18,628,005</u>	<u>-</u>
Sub-total of cash inflows		<u>66,333,399</u>	<u>195,636,532</u>	<u>229,502,572</u>	<u>506,895,707</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(669,513,362)	(1,253,190,922)	(1,259,618)	(708,533)
Cash paid to acquire investments		-	(23,000,000)	(120,360,000)	(368,325,573)
Cash paid relating to other investing activities		<u>(21,345,370)</u>	<u>(6,946,210)</u>	<u>-</u>	<u>-</u>
Sub-total of cash outflows		<u>(690,858,732)</u>	<u>(1,283,137,132)</u>	<u>(121,619,618)</u>	<u>(369,034,106)</u>
Net cash flows for investing activities		<u>(624,525,333)</u>	<u>(1,087,500,600)</u>	<u>107,882,954</u>	<u>137,861,601</u>
<b>Cash flows from financing activities</b>					
Cash received from capital contributions		-	18,560,000	-	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		<u>-</u>	<u>18,560,000</u>	<u>-</u>	<u>-</u>
Cash received from borrowings		<u>1,945,542,226</u>	<u>3,885,233,279</u>	<u>437,513,800</u>	<u>1,263,767,440</u>
Cash received from other financing activities		<u>356,800,907</u>	<u>-</u>	<u>375,340,000</u>	<u>-</u>
Sub-total of cash inflows		<u>2,302,343,133</u>	<u>3,903,793,279</u>	<u>812,853,800</u>	<u>1,263,767,440</u>
Cash repayments of borrowings		(2,031,815,467)	(2,867,311,676)	(686,504,000)	(1,372,419,740)
Cash payments for interest expenses and distribution of dividends or profits		(259,685,948)	(313,744,698)	(136,106,917)	(188,241,785)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		<u>(64,416,978)</u>	<u>(54,088,127)</u>	<u>-</u>	<u>-</u>
Cash payments relating to other financing activities		<u>(131,026,601)</u>	<u>(589,349,077)</u>	<u>(114,671,700)</u>	<u>(389,880,000)</u>
Sub-total of cash outflows		<u>(2,422,528,016)</u>	<u>(3,770,405,451)</u>	<u>(937,282,617)</u>	<u>(1,950,541,525)</u>
Net cash flows from financing activities		<u>(120,184,883)</u>	<u>133,387,828</u>	<u>(124,428,817)</u>	<u>(686,774,085)</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>6,618,182</u>	<u>(9,059,882)</u>	<u>16,962</u>	<u>(25,266)</u>
Net increase in cash and cash equivalents	7 (38)	<u>(77,738,422)</u>	<u>(484,700,020)</u>	<u>(94,103,456)</u>	<u>(430,046,089)</u>
Add: Cash and cash equivalents at beginning of year		<u>394,923,631</u>	<u>1,259,606,553</u>	<u>168,142,506</u>	<u>607,076,960</u>
Cash and cash equivalent at end of year	7 (38)	<u>317,185,209</u>	<u>774,906,533</u>	<u>74,039,050</u>	<u>177,030,871</u>

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**

(All amounts in Rmb Yuan unless otherwise stated)

Items	Attributable to equity holders of the Company							Minority interest	Total owners' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Surplus reserves	Undistributed profits	Translation difference of foreign currency financial statements	Sub-total		
Note	7 (24)	7 (25)	7 (24)	7 (26)	7 (27)			7 (28)	
Balance at 1 January 2008	1,187,963,124	1,802,280,532	-	359,176,856	653,330,647	4,262,959	4,007,014,118	278,599,753	4,285,613,871
Movement for the first half year ended 30 June 2008									
Net profit	-	-	-	-	409,853,633	-	409,853,633	49,837,147	459,690,780
Gains or losses recognized directly in owners' equity	-	(18,758,716)	-	-	-	(2,415,624)	(21,174,340)	-	(21,174,340)
- Translation difference of foreign currency financial statements	-	-	-	-	-	(2,415,624)	(2,415,624)	-	(2,415,624)
- Net changes in fair value of available-for-sale financial assets	-	(18,758,716)	-	-	-	-	(18,758,716)	-	(18,758,716)
Share-based payment	-	3,167,484	-	-	-	-	3,167,484	-	3,167,484
- Proceeds from restricted A share stock granted	-	-	-	-	-	-	-	-	-
- Restricted A share stock cancelled or forfeited	-	-	-	-	-	-	-	-	-
- Value of employee services	-	3,167,484	-	-	-	-	3,167,484	-	3,167,484
Capital contribution and withdrawal by owners	-	-	-	-	-	-	-	18,560,000	18,560,000
- Capital contribution by owners	-	-	-	-	-	-	-	18,560,000	18,560,000
- Acquisition of minority interests	-	-	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	(178,194,469)	-	(178,194,469)	(54,088,128)	(232,282,597)
- Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
- Profit distribution to equity owners	-	-	-	-	(178,194,469)	-	(178,194,469)	(54,088,128)	(232,282,597)
Balance at 30 June 2008	1,187,963,124	1,786,689,300	-	359,176,856	884,989,811	1,847,335	4,220,666,426	292,908,772	4,513,575,198

**CSG HOLDING CO., LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY (CONTINUED)**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**  
(All amounts in Rmb Yuan unless otherwise stated)

Items	Attributable to equity holders of the Company							Minority interest	Total owners' equity
	Paid-in capital	Capital surplus	Less: Treasury stock	Surplus reserves	Undistributed profits	Translation difference of foreign currency financial statements	Sub-total		
Note	7 (24)	7 (25)	7 (24)	7 (26)	7 (27)			7 (28)	
Balance at 1 January 2009	1,237,103,124	2,067,761,896	(12,952,500)	391,040,358	863,352,524	(1,698,863)	4,544,606,539	268,410,601	4,813,017,140
Movement for the first half year ended 30 June 2009									
Net profit	-	-	-	-	261,159,985	-	261,159,985	27,816,377	288,976,362
Gains or losses recognized directly in owners' equity	-	3,658,688	-	-	-	1,385,541	5,044,229	-	5,044,229
- Translation difference of foreign currency financial statements	-	-	-	-	-	1,385,541	1,385,541	-	1,385,541
- Net changes in fair value of available-for-sale financial assets	-	3,658,688	-	-	-	-	3,658,688	-	3,658,688
Share-based payment	(13,365,000)	37,122,294	12,952,500	-	-	-	36,709,794	2,044,409	38,754,203
- Proceeds from restricted A share stock granted	-	-	-	-	-	-	-	-	-
- Restricted A share stock cancelled or forfeited	-	(3,126,750)	(412,500)	-	-	-	(3,539,250)	-	(3,539,250)
- Treasury stock cancelled	(13,365,000)	-	13,365,000	-	-	-	-	-	-
- Value of employee services	-	40,249,044	-	-	-	-	40,249,044	2,044,409	42,293,453
Capital contribution and withdrawal by owners	-	-	-	-	-	-	-	-	-
- Capital contribution by owners	-	-	-	-	-	-	-	-	-
- Acquisition of minority interests	-	-	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	(122,373,812)	-	(122,373,812)	(64,416,978)	(186,790,790)
- Appropriation to surplus reserves	-	-	-	-	-	-	-	-	-
- Profit distribution to equity owners	-	-	-	-	(122,373,812)	-	(122,373,812)	(64,416,978)	(186,790,790)
Balance at 30 June 2009	1,223,738,124	2,108,542,878	-	391,040,358	1,002,138,697	(313,322)	4,725,146,735	233,854,409	4,959,001,144

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

**CSG HOLDING CO., LTD.**  
**COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**

(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	Less:					Total owners' equity
		Paid-in capital	Capital surplus	Treasury stock	Surplus reserves	Undistributed profits	
Balance at 1 January 2008		1,187,963,124	1,812,007,435	-	359,176,856	(23,894,365)	3,335,253,050
Movement for the first half year ended 30 June 2008							
Net profit		-	-	-	-	350,425,269	350,425,269
Gains or losses recognized directly in owners' equity		-	(18,758,716)	-	-	-	(18,758,716)
- Net changes in fair value of available-for-sale financial assets		-	(18,758,716)	-	-	-	(18,758,716)
Share-based payment			3,167,484	-	-	-	3,167,484
- Proceeds from restricted A share stock granted		-	-	-	-	-	-
- Restricted A share stock cancelled or forfeited		-	-	-	-	-	-
- Value of employee services		-	3,167,484	-	-	-	3,167,484
Profit distribution		-	-	-	-	(178,194,469)	(178,194,469)
- Appropriation to surplus reserves		-	-	-	-	-	-
- Profit distribution to equity owners		-	-	-	-	(178,194,469)	(178,194,469)
Balance at 30 June 2008		1,187,963,124	1,796,416,203	-	359,176,856	148,336,435	3,491,892,618
Balance at 1 January 2009		1,237,103,124	2,107,751,509	(12,952,500)	391,040,358	84,682,684	3,807,625,175
Movement for the first half year ended 30 June 2009							
Net profit		-	-	-	-	458,826,130	458,826,130
Gains or losses recognized directly in owners' equity		-	3,658,688	-	-	-	3,658,688
- Net changes in fair value of available-for-sale financial assets		-	3,658,688	-	-	-	3,658,688
Share-based payment		(13,365,000)	39,166,703	12,952,500	-	-	38,754,203
- Proceeds from restricted A share stock granted		-	-	-	-	-	-
- Restricted A share stock cancelled or forfeited		-	(3,126,750)	(412,500)	-	-	(3,539,250)
- Treasury stock cancelled		(13,365,000)	-	13,365,000	-	-	-
- Value of employee services		-	42,293,453	-	-	-	42,293,453
Profit distribution		-	-	-	-	(122,373,812)	(122,373,812)
- Appropriation to surplus reserves		-	-	-	-	-	-
- Profit distribution to equity owners		-	-	-	-	(122,373,812)	(122,373,812)
Balance at 30 June 2009		1,223,738,124	2,150,576,900	-	391,040,358	421,135,002	4,186,490,384

The accompanying notes form an integral part of these financial statements

**CSG HOLDING CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FIRST HALF YEAR ENDED 30 JUNE 2009**  
(All amounts in RMB unless otherwise stated)

**1 General information**

CSG Holding Co Ltd (the "Company") was incorporated in 1984 in Shenzhen, the People's Republic of China (the "PRC"), known as China South Glass Company, as a joint venture enterprise by 香港招商局轮船股份有限公司、深圳建筑材料工业集团公司、中国北方工业深圳公司 and 广东国际信托投资公司, with a registered capital of US dollar 500,000. In October 1991, as approved by the Shenzhen municipal government with document SFBF (1991) 828, China South Glass Company was reorganized as joint stock limited company, the registered capital was RMB71,232,550, with nominal value of RMB 1 per share.

As approved by People's Bank of China Shenzhen Branch with document No. SRYFZ (1991)087 and SRYFZ (1992) 010, the Company issued, by public offering, the domestic shares ("A shares") of 20,300,000 shares and domestically listed foreign shares ("B shares") of 16,000,000, in October 1991 and January 1992, respectively. Both shares were listed in Shenzhen Stock Exchange in February 1992. The registered capital of the Company increased to RMB 107,532,550.

As approved by China Security Regulatory Committee with document No. (1995) 16, State Planning Committee with document No. JWZ (1994) 1748 and State Administrative of Foreign Exchange with document No. (95) HZF191, the Company issued USD 45 million convertible bonds in Swiss between June and July 1995, of which convertible bonds amounting to USD 44 million had been converted into 75,411,268 B shares, the remaining balances were repaid upon maturity.

The Company issued new capital of RMB 832,519,306 during the period from 1993 to 2005 by the means of warrants, bonus issue and capitalization of capital reserve.

As approved by Shenzhen Municipal State Owned Assets Management and Supervisory Committee with document No. (2006) 190 "the Approval over the Share Restructuring Scheme by CSG Holding Co Ltd", the Company went the share restructuring scheme. The shareholders of the non tradable shares offered to the tradable shareholders 57,065,893 of A shares, being 3.55 per 10 tradable A shares, in return for the conversion of the non tradable shares into tradable A shares. Since 24 May 2006, the non tradable shares have converted into tradable A shares according to the commitment on Shenzhen Stock Exchange.

As approved by China Security Regulatory Committee with document ZJFX (2007) No. 231, the Company issued, by private placement, 172,500,000 A shares during the period from 20 September to 27 September 2007, at subscription price of RMB 8 per share. The registered capital of the Company increased to 1,187,963,124 upon the completion of the placement.

According to the Company's restricted A share stock incentive scheme, the Company granted 49,140,000 A shares to employees through a non-public placement on 16 June 2008, at price of RMB 8.58 pre share. The registered capital of the Company increased to 1,237,103,124 upon the completion of the issuance.

On 18 June 2009, the Company has cancelled 13,365,000 restricted A shares because the unlocking conditions regulated in incentive plan didn't been satisfied. The registered capital of the Company decreased to 1,223,738,124 upon the completion of the cancellation.

The Company and its subsidiaries (collectively referred to the "Group") are mainly engaged in producing, manufacturing and selling of energy-saving architecture materials such as flat glass and architecture glass, renewable energy products such as silicon materials and PV module, as well as new material and high-tech products such as fine glass and structure porcelain (for projects involved in production license and environment-protection approval document, will be declared particularly by subsidiaries). Providing coordination and service to subsidiaries in problems relevant to operation decision, administration consultation, market information, technical support as well as post training.

The financial statements were authorized for issue by the board of directors on 31 July 2009.

## 2 Basis of preparation

The financial statements have been prepared in accordance with the Basic Standards and 38 Specific Standards of the Accounting standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business enterprises" or "CAS").

As at 30 June 2009, the Group had net current liabilities of RMB 2,787,112,553. The directors of the Company have assessed and are confident that the Group can continue as a going concern based on the following facts and conditions: a) the Group has been able to generate positive operating cash flows in prior years and expect to do so in the year ending 31 December 2009; b) the Group has maintained good relationship with banks so the Group has been able to successfully renew the bank facilities upon the expiry. In addition, as at 30 June 2009, the Group had unutilized banking facilities of approximately RMB 9.2 billion (Note 7(13)), which can meet its debt servicing and capital commitment requirements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements of the Group on a going concern basis..

## 3 Statement in compliance with the Accounting Standards for Business Enterprises.

The financial statements of the Company for the first half year ended 30 June 2009 is in compliance with the Accounting Standards for Business Enterprises truly and completely present the financial position and the operating results as of 30 June 2009, cash flows and other information for the first half year ended of the Group and the Company.

## 4 Summary of significant accounting policies and accounting estimates

### (1) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

### (2) Recording currency

The recording currency is Renminbi (RMB)

### (3) Measurement basis

The Company measures at historical cost, except those measured at fair value, net realizable value and the recoverable amount.

### (4) Foreign currency translation

#### (a) Transactions and balances

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate on the balance sheet date. Exchange differences arising from these transaction are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the, constructing or producing of qualified assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Overseas subsidiaries

The asset and liability items in the balance sheets for overseas businesses are translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, the items other than "undistributed profits" are translated at the spot exchange rate of the transaction date. The income and expense items in the income statements of overseas businesses are translated at the spot exchange rate of the transaction date. The differences arising from the above translation are presented separately in the owner's equities. The cash flows of overseas businesses are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(5) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and deposits held at call with bank. Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

(6) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term, which are presented as financial assets held for trading on the balance sheet.

(b) Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4 (7)).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets in the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities less than 12 months of the balance sheet date are included in other current assets or current portion of non-current assets on the balance sheet.

(e) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs occurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amount. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or all substantial risks and rewards of ownership of the financial assets have been transferred.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently

measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

A gain or loss arising from a change in the fair value of financial assets at fair value through profit or loss is recognized in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from the disposal of the assets are recognized in profit or loss for the current period.

A gain or loss arising from a change in fair value of an available-for-sale financial asset is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investor on available-for-sale investments in equity instruments are recognised as investment income in profit or loss.

(f) Impairment of financial assets

The Group assesses the carrying amount of a financial asset other than that at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss.

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

In the case of a significant or prolonged decline in the fair value of an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed and recognized in profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed and directly recognized in equity.

If an impairment loss incurred on an investment in an equity instrument not quoted in an active market and whose fair value cannot be reliably measured, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows of similar financial assets, capitalized based on the returns ratio of the market at the same time. The impairment losses are not allowed to be reversed even if the value is recovered in a subsequent period

(7) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognized at fair value of the contractual payments from the buyer. Receivables are presented at amortized cost using the effective interest method net of provision for bad debts.

Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms, a provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

Receivables that are not individually significant together with those receivables that have been individually evaluated for impairment and found not to be impaired are grouped on the basis of similar credit risk characteristics. The impairment losses are determined, considering the current conditions, on the basis of historical loss experience for the groups of receivables with the similar credit risk characteristics.

When the Group transfers the accounts receivable to financial institutions without recourse, the difference between proceeds derived from the transaction, net of the carrying amounts of the accounts receivable and relevant taxes is recognized in profit or loss for the current period.

(8) Inventories

Inventories include manufacturing sector and real estate development sector, are stated at cost presented at the lower of cost and net realisable value.

Manufacturing sector inventories include raw materials, work in progress, finished goods and turnover materials. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity. Turnover materials include low cost consumables and packaging materials, are expensed upon issuance.

The real estate development sector inventories are properties held for sale, the cost comprised of land and construction costs. Cost is determined using the actual cost.

Provisions for declines in the value of inventories are determined at the carrying value of the inventories net of their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and relevant taxes.

Calculation reversal of provisions for declines in value of inventories sold should deduct cost of main operations and other cost.

The Group adopts the perpetual inventory system..

(9) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

(a) Subsidiaries

Subsidiaries are all investees over which the Company is able to control, i.e. has the power to govern the financial and operating policies so as to obtain benefits from their operating activities. The existence and effect of potential voting rights (including that derived from the convertible bonds and warrants that are currently convertible or exercisable) is considered to determine whether the Group has control over the investee. Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted using the equity method when preparing the consolidated financial statements.

Long-term equity investments accounted for using the cost method are measured at the initial investment cost. Investment income is recognized in profit or loss for the cash dividends or profit declared by the investee.

Share-based payments granted to employees of the Company's subsidiaries are settled by the Company's equity instrument. Fair value of related service of these employees, is recognized as an increase in the investment in the subsidiaries within the period when employees provide their services..

## (b) Other long-term equity investments

Other long-term equity investments where the Group does not have control, joint control or significant influence over the investee, and which are not quoted in an active market and whose fair value cannot be reliably measured are accounted for using the cost method.

## (10) Fixed assets

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computer and electronic equipment and office equipment. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognized and all the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-40 years	5%-10%	2.25%-9.5%
Machinery and equipment	10-16 years	5%-10%	5.63%-9.5%
Motor vehicles and others	3-10 years	5%-10%	9%-31.67%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted if appropriate at least at each financial year-end.

A fixed asset classified as an asset held for sale is presented at the lower of the carrying amount and the fair value less costs to sell. Any excess of the carrying amount over the fair value less the costs to sell is provided for as impairment loss.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognized in profit or loss for the current period

## (11) Construction in progress

Construction in progress is measured at actual cost. The actual cost comprises construction costs and other costs necessarily incurred to bring construction to get ready for its intended use. Borrowing costs that are eligible for capitalization are capitalized as part of the cost of assets until the assets are ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month

## (12) Intangible assets

Intangible assets including land use rights and, patents and exploitation rights are measured at actual cost.

## (a) Land use rights

Land use rights are amortized on the straight-line basis over the period of the land use rights. If it is impracticable

to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets.

(b) Patents

Patents are amortized on a straight-line basis over periods as stipulated by the contracts.

(c) Exploitation rights

Exploitation rights are amortized on permitted exploitation periods by the exploitation certificate.

(d) Periodical review of useful life and amortisation method

The estimated useful life and amortization method for an intangible asset with an indefinite useful life is reviewed, and adjusted if appropriate at each financial year-end.

(13) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can finally create an intangible asset.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognized as an intangible asset only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the period in which they are incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date the asset is ready for its intended use.

(14) Goodwill

Goodwill is recognized at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date. For purchase from minority interests occurring before 7 August 2008, the goodwill is recognized at the excess of the consideration paid and the relevant share acquired of the fair value of the identifiable net assets of the subsidiaries at the transaction dates.

(15) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized 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 the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is

determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Separately recognized goodwill is tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. During the test, the carrying value of goodwill is allocated to the related asset group or groups of asset group which is expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or groups of asset group including the goodwill allocated is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill allocated to the asset group or groups of asset group, and then deducted from the carrying amount of the remaining assets of the asset group or groups of asset group pro rata with goodwill.

Once the asset impairment loss mentioned above is recognized, it is not allowed to be reversed for the value recovered in the subsequent periods.

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(17) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised costs using the effective interest method. Borrowings of which the period is within one year (one year included) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(18) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employee benefits are recognized as a liability in the accounting period in which an employee has rendered service, and as costs of assets or expenses to whichever the employee service is attributable.

(19) Share Based Payment

The Group has a share based payment plan in place, under which the entity received services from employees as consideration for equity instruments of the Group. Share-based payment plan is be classified as either equity-settled share-based payments or cash-settled share-based payments.

For an equity-settled share-based payment, in return for employees' services, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the day of granting, be recorded as cost or expense. Otherwise, the total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The equity instruments will be exercised post if the equity instruments granted is been cancelled during waiting period. The balance amount will be recognized in profit or loss for the current period immediately, and confirm capital surplus at the same time.

(20) Provisions

Provisions for restructuring, product warranties and onerous contracts are recognized when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(21) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss) At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Deferred tax assets and deferred tax liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and same fiscal authority; and
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

(22) Revenue recognition

The amount of revenue is determined in accordance with 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, rebates, discounts and returns.

Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic

benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

(a) Sale of goods

Sales of goods are recognized when the risk and rewards of the ownership of the products are transferred, usually occurrence with the timing when the Group has delivered products to the customers, and the Group cease to exercise the control and managing role over the products.

(b) Rendering of services

The Group provides service to external customers. Revenue arising from provision of services is recognized using the percentage of completion method. The Group determines the stage of completion based on the proportion of costs incurred to date to the estimated total costs.

(c) Use by others of enterprise assets

Interest income is recognized on a time-proportion basis using the effective interest method.

(23) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of another related assets, or charged as an expense for the current period.

(24) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the shareholders' meeting.

(25) Preparation of consolidated financial statements

The scope of consolidated financial statements includes the Company and its subsidiaries.

Subsidiaries

Subsidiaries are fully consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, came under common control of the ultimate controlling party. The portion of the net profits realized before the combination date is presented separately in the consolidated income statement.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not held by the Company are recognized as minority interests and presented separately in the consolidated balance sheet within equity and net profits respectively.

Purchase of minority interests from minority shareholders of the subsidiaries

Purchase from minority interests results in goodwill, the difference between the consideration paid and the relevant share acquired of the carrying amount of the net assets of the subsidiary which were initially measured at the acquisition date of that subsidiary and subsequently measures on the same basis, is recorded in capital reserve to the extent to the zero balance of the capital reserve. The remaining balance, if any, is directly charged to retained earnings.

(26) Segment reporting

The Group recognize the business segment according as inter-organization structure, management requirement and internal report system, and the business segment is the base to recognize the report segment. The business segment satisfied the following conditions: the segment can get the revenue and cost, the result of operation of segment can be appraised termly by management in order to distribute resources and evaluate its achievements, the Company can get the accounting information about financial standing, result of operation, cash flow and others of the segment.

(27) Discontinued operation

Discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements.

A component is classified as held for sale when all of following conditions are satisfied: (1) the Group has made a resolution on disposal of this component; (2) the Group has entered into an irrevocable agreement with the transferee to transfer the component; (3) the transfer will be completed within one year.

(28) The determination of the fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using recent market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, the valuation technique is whenever possible incorporate factors that market participants would consider, and less relies on the Group's entity-specific factors.

(29) Critical accounting estimates and judgments

The Group continually evaluates critical estimates and key assumption based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key 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 outlined below:

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 5 Taxation

The types and rates of taxes applicable to the Group during the current year are set out below:

Type	Tax rate	Taxable basis
Enterprise income tax	15% to 25%	Taxable income
Value added tax ("VAT")	17%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less current period's deductible VAT input )
Business tax	3% and 5%	Taxable turnover

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which is effective from 1 January 2008. Under the New CIT Law, the subsidiaries which previously applied income tax rate of 24% or 33%, are subject to enterprise income tax rate of 25% from 1 January 2008. For the Company and its subsidiaries established in a special economic zone, which previously applied enterprise income tax rate of 15%, the enterprise income tax rate will increase gradually to 25% within 5 years and the applicable income tax rate in 2009 is 20%. Chengdu CSG Glass Co., Ltd. was qualified as foreign investment enterprise in encouraged category and was established in western area, according to the tax incentive measures for the extending business to operate in the western regions implemented by the government, the applicable tax rate is 15% before 2010. The overseas subsidiaries are assessed under the governing tax jurisdiction..

On 5 November 2008, the 34<sup>th</sup> executive meetings of the State Council approved Value-Added Tax Interim Regulations of the People's Republic of China (the "New VAT Interim Regulations"), which is effective from 1 January 2009. According Inform of Value-Added Tax Rate for Exploitation in Metallic and Nonmetal Ore Deposit (CS [2008] No.171), the VAT rate come back from 13% to 17% from 1 January 2009. The VAT rate of the subsidiary of the Company – Hainan Wen Chang CSG Silica Sand Mine Co., Ltd. adjusted from 13% to 17% from 1 January 2009.

As at 30 June 2009, the tax privilege treatment enjoyed by the subsidiaries of the Group were described as below:

As approved by Tianjin Wuqing District State Tax Bureau (JSWQJM (2008) No. 317), Tianjin Energy Conservation Glass Co., Ltd. enjoys the exemption from enterprise income tax for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. This year was the first profit making year and the entity was exempted from the tax.

With an approval from Guangzhou Huangpu State Tax Bureau (HGSSP (2006)2) , Guangzhou CSG Glass Co Ltd enjoys the exemption from enterprise income tax for two years starting from the firs profit marking year after offset the accumulated losses, and half rate for next three years and the exemption from the local enterprise income tax during the five years. The first profit making year was 2005, the applicable enterprise income tax rate for current year was 12.5%.

With an approval from Chengdu Shuangliu County State Tax Bureau (SGSJM (2007) No. 73) , Chengdu CSG Glass Co., Ltd. enjoys the exemption from enterprise income tax for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. According to Inform of Perform Tax Incentive Measures "CS (2009) No. 69" and State Council Circular GF (2007) No. 39 "Circular of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies", Chengdu CSG Glass Co., Ltd. enjoyed both tax privilege of western area and the half rate tax. The first profit making year was 2006, and the enterprise income tax rate applied for the entity in current year was 7.5%.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan CSG Glass Co., Ltd. enjoys the exemption from enterprise income tax for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2007, the applicable enterprise income tax rate for current year was 12.5%.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan CSG Architectural Co., Ltd. enjoys the exemption from enterprise income tax for two years starting from the first profit marking year after offset the

accumulated losses, and half rate for next three years. This year was the second profit making year and the entity was exempted from the tax.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan CSG PV-tech Co., Ltd. enjoys the exemption from enterprise income tax for two years and half rate for next three years. This year was the second year exempted from the tax.

With an approval from Jiangsu Suzhou State Tax Bureau, Wujiang CSG North-east Architectural Glass Co., Ltd. enjoys the exemption from enterprise income tax for two years and half rate for next three years. This year was the second year exempted from the tax.

## 6 Subsidiaries

The principal subsidiaries of the Company in consolidation scope form 30 June 2009.

	Place of registration	Registered capital (in ten thousand Yuan)	Nature of business and principal activities	% voting right held by the Company	
				Direct	Indirect
Shenzhen CSG Float Glass Co., Ltd.	Shenzhen, the PRC	60,574	Floating Glass manufacturing	100%	-
Guangzhou CSG Glass Co., Ltd.	Guangzhou, the PRC	26,000	Floating Glass manufacturing	75%	25%
Chengdu CSG Glass Co., Ltd.	Chengdu, the PRC	24,666	Floating Glass manufacturing	75%	-
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	Hainan, the PRC	4,000	Mining of silica sand	100%	-
Sichuan Luxian CSG Silica Sand Mine Co Ltd	Luxian, the PRC	1,400	Floating Glass manufacturing	98%	1.5%
Jiangyou CSG Mining Development Co., Ltd.	Shenzhen, the PRC	2,800	Mining of silica sand	100%	-
Shenzhen CSG Wellight Coating Glass Co., Ltd.	Shenzhen, the PRC	6,912	Production and selling of coated glass	90%	10%
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	Shenzhen, the PRC	2,310	Processed glass	100%	-
Shenzhen CSG Architectural Glass Co., Ltd.	Shenzhen, the PRC	3,200	Processed glass	100%	-
CSG Spandrel And Tempered glass Co., Ltd.	Shenzhen, the PRC	1,500	Production of processed glass	100%	-
Tianjin CSG Architectural Glass Co., Ltd.	Tianjin, the PRC	17,800	Processed glass	75%	25%
China Southern Glass (Hong Kong) Limited	Hong Kong	HKD8,644	Trading and investment holding	100%	-
China Southern Glass (Australia) Pty Ltd.	Australia	AUD50	Glass product trading	100%	-
Shenzhen CSG Display Technology Co., Ltd.	Shenzhen, the PRC	USD900	Production of monitor display glass	75%	-
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	Shenzhen, the PRC	USD1,780	Production of colorful filter glass	70%	-
Shenzhen V-Interface Technology Co., Ltd	Shenzhen, the PRC	2,000	Development and production of moulds	-	72%
Shenzhen CSG Structure Ceramics Co., Ltd.	Shenzhen, the PRC	3,000	Production of structural ceramic products	100%	-
Dongguan CSG Architectural Glass Co., Ltd.	Dongguan, the PRC	24,000	Processed glass	75%	25%
Dongguan CSG Solar Glass Co., Ltd.	Dongguan, the PRC	20,000	Production of solar glass	75%	25%
Yichang CSG Silicon Co., Ltd. (a)	Yichang, the PRC	65,248	Production of silicon related materials	68.97%	25%
Wujiang CSG North-east Architectural Glass Co., Ltd.	Wujiang, the PRC	32,000	Processed glass	75%	25%
Tianjin Energy Conservation Glass Co., Ltd.	Tianjin, the PRC	12,800	Production of specialized glass	75%	25%
Dongguan CSG PV-tech Co., Ltd.(d)	Dongguan, the PRC	10,000	Production of solar battery and applications	75%	25%
Hebei CSG Glass Co., Ltd. (Note (a))	Yongqing, the PRC	USD3,306	Production of specialized glass	75%	25%
Dongguan CSG Ceramics Technology Co., Ltd.(b)	Dongguan, the PRC	5,000	Production of ceramics products	100%	-
Tianjin CSG Industrial Development Co., Ltd.	Tianjin, the PRC	2,000	Real estate development	75%	25%
Sichuan CSG Industrial Development Co., Ltd.	Chengdu, the PRC	4,000	Real estate development	100%	-
Hainan CSG Industrial Development Co., Ltd.	Haikou, the PRC	3,000	Real estate development	100%	-
Beihai CSG Industrial Development Co., Ltd.	Beihai, the PRC	2,000	Real estate development	65%	35%

- (a) The registered capital of Yichang CSG Silicon Materials Co Ltd ("YC CSG") was RMB 492 million. The Company and China Southern Glass (Hong Kong) Limited (CSG HK), one subsidiary of the Company, held 67% and 25% share separately. On 22 May 2009, the Company and CSG HK increased investment of RMB 160.48 million as a proportion of 75:25. Its minority Shareholder didn't increased investment. On 30 June 2009, the registered capital of YC CSG was RMB 652.48 million, the Company and CSG HK held 68.97% and 25% share separately.

## 7 Notes to the consolidated and the Company's financial statements

### (1) Cash at bank and at hand

	30 June 2009	31 December 2008
Cash on hand	86,714	62,510
Cash at bank	556,378,229	987,289,241
Other cash balances	40,286,015	46,428,161
	<u>596,750,958</u>	<u>1,033,779,912</u>

Other cash balances include guarantee deposits for bank acceptance notes, mortgage loans, letter of credits, performance letters, credit card accounts, guarantee letter and pledge loan.

The cash and bank balances foreign currency portfolio is as follows:

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	43,572,560	0.88153	38,410,519	4,224,561	0.8819	3,725,640
USD	2,892,739	6.83190	19,762,905	7,108,860	6.8346	48,586,215
EUR	1,466	9.64080	14,131	21,561	9.6590	208,258
AUD	1,706,137	5.54260	9,456,434	1,740,819	4.7135	8,205,350
JPY	372,125	0.07112	26,464	234,167	0.0757	17,726
			<u>67,670,453</u>			<u>60,743,189</u>

As at 30 June 2009 included in other cash balances are RMB 239,760,000 restricted cash (at 31 December 2008: 486,400,000). (Note 7 (13))

### (2) Notes receivable

	30 June 2009	31 December 2008
Trade acceptance notes	39,859,627	21,251,812
Bank acceptance notes	117,348,182	94,790,679
	<u>157,207,809</u>	<u>116,042,491</u>

### (3) Accounts receivable

	31 December 2008		30 June 2009
Accounts receivable	<u>241,405,351</u>		<u>319,868,268</u>
		Current year (additions)/ reversal	Current year write-off
Less: provision for bad debts	<u>(4,828,682)</u>	<u>(1,682,370)</u>	<u>(6,511,052)</u>
	<u>236,576,669</u>		<u>313,357,216</u>

The ageing of accounts receivable and related provisions for bad debts are analysed below:

	30 June 2009			31 December 2008		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	315,969,165	99%	(6,433,071)	238,626,946	99%	(4,776,058)
1 to 2 years	2,599,974	1%	(51,999)	2,041,433	1%	(37,885)
2 to 3 years	628,427	0%	(12,568)	474,027	0%	(9,480)
Over 3 year	670,702	0%	(13,414)	262,945	0%	(5,259)
	<u>319,868,268</u>	<u>100%</u>	<u>(6,511,052)</u>	<u>241,405,351</u>	<u>100%</u>	<u>(4,828,682)</u>

Accounts receivable are analysed by customers categories as follows:

	30 June 2009				31 December 2008			
	Amount	% of total balance	Provision for bad debts	Provision ratio	Amount	% of total balance	Provision for bad debts	Provision ratio
Receivables that are individually significant	-	-	-	-	-	-	-	-
Receivables not individually significant but with high risk in groups	319,868,268	100%	(6,511,052)	2%	241,405,351	100%	(4,828,682)	2%
	<u>319,868,268</u>	<u>100%</u>	<u>(6,511,052)</u>	<u>2%</u>	<u>241,405,351</u>	<u>100%</u>	<u>(4,828,682)</u>	<u>2%</u>

As at 30 June 2009, no balances included in above accounts receivable are due to the shareholders of the Company who hold over 5% shares with voting right.

As at 30 June 2009, the aggregate amount of the Group's five largest accounts receivable balances was RMB 108,116,101 (at 31 December 2008: RMB 57,947,143), being 34% (at 31 December 2008: 24%) of the total accounts receivable balances, all aged within one year.

The following balances were dominated in foreign currency.

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	9,752,320	0.88153	8,596,963	12,264,562	0.8819	10,816,117
USD	9,504,068	6.83190	64,930,842	9,403,425	6.8346	64,268,649
EUR	262,946	9.64080	2,535,010	803,593	9.6590	7,761,905
AUD	47,751	5.54260	264,665	112,784	4.7135	531,607
JPY	12,251,252	0.07112	871,309	7,293,000	0.0757	552,080
			<u>77,198,789</u>			<u>83,930,358</u>

#### (4) Advance to suppliers

The aging of advance to suppliers are within one year and substantively denominated in RMB.

The group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

**(5) Other receivable**

	31 December 2008		30 June 2009
Deposit to contractors	25,971,532		32,041,790
Payment on behalf of other parties	2,279,763		4,335,778
Staff advances	2,615,200		4,227,209
Others	<u>8,440,532</u>		<u>9,305,098</u>
	<u>39,307,027</u>		<u>49,909,875</u>
		Current year (addition)/ reversal	Current year Write-off
Less: Provision for bad debts	<u>(4,342,046)</u>	<u>(255,582)</u>	<u>(4,597,628)</u>
	<u>34,964,981</u>		<u>45,312,247</u>

The ageing of other receivable and the related bad debts provision are analysed below:

	30 June 2009			31 December 2008		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	44,725,956	90%	(892,229)	33,542,366	86%	(625,350)
1 to 2 years	549,888	1%	(10,559)	837,892	2%	(271,514)
2 to 3 years	20,088	0%	(662)	1,663,937	4%	(1,493,750)
Over 3 years	<u>4,613,943</u>	<u>9%</u>	<u>(3,694,178)</u>	<u>3,262,832</u>	<u>8%</u>	<u>(1,951,432)</u>
	<u>49,909,875</u>	<u>100%</u>	<u>(4,597,628)</u>	<u>39,307,027</u>	<u>100%</u>	<u>(4,342,046)</u>

The group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

Other receivables are analysed by customers categories as follows:

	30 June 2009				31 December 2008			
	Amount	% of total balance	Provision for bad debts	Provision ratio	Amount	% of total balance	Provision for bad debts	Provision ratio
Receivables that are individually significant	3,675,738	7%	(3,675,738)	100%	3,675,738	9%	(3,675,738)	100%
Receivables not individually significant but with high risk in groups	<u>46,234,137</u>	<u>93%</u>	<u>(921,890)</u>	<u>2%</u>	<u>35,631,289</u>	<u>91%</u>	<u>(666,308)</u>	<u>2%</u>
	<u>49,909,875</u>	<u>100%</u>	<u>(4,597,628)</u>	<u>9%</u>	<u>39,307,027</u>	<u>100%</u>	<u>(4,342,046)</u>	<u>11%</u>

As at 30 June 2009, the aggregate amount of the Group's five largest accounts other receivable balances was RMB 33,400,589 (at 31 December 2008: RMB 26,101,132), being 67% (at 31 December 2008: 66%) of the total accounts other receivable balances, all aged within one year.

Other receivable substantively denominated in RMB.

**(6) Inventories**

	31 December 2008		30 June 2009
Cost -			
Raw materials	104,038,310		136,691,039
Work in progress	9,699,015		10,338,983
Finished goods	181,577,507		181,064,719
Turnover materials	38,203,435		33,928,689
Properties held for sale	<u>36,625,242</u>		<u>27,072,429</u>
	<u>370,143,509</u>		<u>389,095,859</u>
		Current year (addition)/ reversal	Current year write-off
Less: Provision for declines in the value of inventories			
Raw materials	(73,384)	-	-
Finished goods	(18,476,825)	922,428	7,953,206
Turnover materials	(392,709)	-	-
Properties held for sale	<u>(25,499,217)</u>	<u>894,157</u>	<u>4,514,225</u>
	<u>(44,442,135)</u>	<u>1,816,585</u>	<u>12,467,431</u>
	<u>325,701,374</u>		<u>358,937,740</u>

**(7) Available-for-sale financial assets**

	30 June 2009	31 December 2008
Available-for-sale equity instruments	<u>15,868,069</u>	<u>12,930,101</u>

The equity instruments were all domestic shares listed in PRC. They have measured at market price at the trading date closest to the balance sheet date. The relevant changes in fair value have been recognized in capital surplus (Note 7(25)).

**(8) Long-term equity investments**

	30 June 2009	31 December 2008
Other long-term equity investments (a)	27,644,997	27,644,997
Less: Provision for impairment of long-term equity investments (b)	<u>(444,997)</u>	<u>(444,997)</u>
	<u>27,200,000</u>	<u>27,200,000</u>

The long-term equity investments of the Group are not subject to restriction on conversion into cash or restriction on remittance of investment income.

**(a) Other long-term equity investment**

Name of investees	30 June 2009	31 December 2008
Guangdong Golden Glass Technologies Ltd. (i)	23,000,000	23,000,000
Beijing Wan Tong Industrial Co Ltd	4,200,000	4,200,000
Hai Nan Pearl River Construction Co Ltd	395,000	395,000
Hai Nan Heng Tong Industrial Co Ltd	49,997	49,997
	<u>27,644,997</u>	<u>27,644,997</u>

(i) The Group owns 11.11% of equity interest in this entity. There is no significant assets impairment exposure as at 30 June 2009.

(b) Provision for impairment of long-term equity investments

	30 June 2009	31 December 2008
Hai Nan Pearl River Construction Co Ltd	(395,000)	(395,000)
Hai Nan Heng Tong Industrial Co Ltd	(49,997)	(49,997)
	<u>(444,997)</u>	<u>(444,997)</u>

**(9) Fixed assets**

	Buildings	Machinery and equipment	Motor vehicles and others	Total
<b>Cost</b>				
31 December 2008	1,734,320,569	5,200,498,064	195,232,769	7,130,051,402
Transfer from construction in progress	150,883,668	1,185,325,698	4,868,281	1,341,077,647
Other current year additions	11,372,070	8,870,936	4,570,030	24,813,036
Current year disposals	(589,531)	(15,593,341)	(2,570,764)	(18,753,636)
30 June 2009	<u>1,895,986,776</u>	<u>6,379,101,357</u>	<u>202,100,316</u>	<u>8,477,188,449</u>
<b>Accumulated depreciation</b>				
31 December 2008	167,397,673	1,096,806,464	95,413,365	1,359,617,502
Current year depreciation	28,639,052	158,775,047	9,745,980	197,160,079
Current year disposals	(523,944)	(2,391,288)	(2,065,491)	(4,980,723)
30 June 2009	<u>195,512,781</u>	<u>1,253,190,223</u>	<u>103,093,854</u>	<u>1,551,796,858</u>
<b>Provision for impairment loss</b>				
31 December 2008	8,124,640	218,740,834	167,518	227,032,992
Current year additions	-	-	-	-
Current year disposals	-	-	-	-
30 June 2009	<u>8,124,640</u>	<u>218,740,834</u>	<u>167,518</u>	<u>227,032,992</u>
<b>Net book value</b>				
30 June 2009	<u>1,692,349,355</u>	<u>4,907,170,300</u>	<u>98,838,944</u>	<u>6,698,358,599</u>
31 December 2008	<u>1,558,798,256</u>	<u>3,884,950,766</u>	<u>99,651,886</u>	<u>5,543,400,908</u>

As at 30 June 2009, buildings with a net book value of RMB 9,288,011 (cost of RMB 10,084,311) (at 31 December 2008: net book value of RMB 9,447,679, cost of RMB 10,084,311) had been pledged as security for long-term borrowings of RMB 11,544,544.

As at 30 June 2009, ownership certificates of buildings ("Buildings ownership Certificates") for certain buildings of the Group with carrying amounts of approximately RMB 365,138,431 (cost of RMB 406,333,868) (at 31 December 2008: carrying amount of RMB 523,097,256, cost of RMB 583,525,650) had yet been obtained by the Group. The Company's directors are of the view that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and there will not be any significant adverse impact on the operations of the Group.

As at 30 June 2009, Buildings Ownership Certificates for certain buildings of the Group with carrying amounts of approximately RMB 778,352,827 (cost of RMB 831,185,579) (at 31 December 2008: carrying amount of RMB 774,999,186, cost of RMB 812,517,184) had yet been obtained by the Group because the land ownership certificates of the lands on which these buildings located had not been obtained (Note 7 (11)).

At 30 June 2009, the fixed assets with net book value of approximately RMB 1,472,842, (cost of approximately RMB 27,327,571) (at 31 December 2008: Net book value of RMB 2,251,270, cost of RMB 28,912,891) were fully depreciated but still in use.

In the first half year 2009, depreciation expense of RMB 182,460,818 (the first half year 2008: 156,600,036) were charged in cost of sales, RMB 750,856 (the first half year 2008: RMB 604,577) in selling expenses and RMB 13,948,405 (the first half year 2008: RMB 7,762,437) in general and administrative expenses, respectively.

#### (10) Construction in progress

Name of projects	Budget	31 December 2008	Current year additions	Transfer to fixed assets during the current year	30 June 2009	Sources of fund	Percentage of completion
Yichang Silicon products project	1,341,000,000	943,304,368	290,966,829	-	1,234,271,197	Internally generated fund and borrowing from financing institution	92%
Hebei Float glass project	835,281,704	713,736,428	42,790,280	(756,225,578)	301,130	Internally generated fund and borrowing from financing institution	100%
Dongguan Solar glass project (Phase II)	363,395,000	224,117,502	7,856,320	(231,973,822)	-	Internally generated fund and borrowing from financing institution	100%
Wujiang Energy-saving Glass	559,211,840	184,095,661	15,163,404	(186,561,599)	12,697,466	Internally generated fund and borrowing from financing institution	98%
Tianjin Energy-saving Glass	469,066,500	163,406,159	13,258,289	(36,027,401)	140,637,047	Internally generated fund and borrowing from financing institution	95%
Dongguan architecture glass project	677,764,053	103,916,234	12,511,744	(61,704,100)	54,723,878	Internally generated fund and borrowing from financing institution	98%
Chengdu Float glass project	423,043,944	117,554,737	227,279,032	-	344,833,769	Internally generated fund and borrowing from financing institution	82%
Others	-	169,962,485	20,261,843	(68,585,147)	121,639,181		
		<u>2,620,093,574</u>	<u>630,087,741</u>	<u>(1,341,077,647)</u>	<u>1,909,103,668</u>		
Including: capitalized borrowing costs		<u>35,782,704</u>	<u>29,928,174</u>	<u>(23,469,431)</u>	<u>42,241,447</u>		

Borrowing costs have been capitalized in first half year 2009 at an average interest rate of 5.11% (2008: 6.42%).

#### (11) Intangible assets

	Original cost	31 December 2008	Current year additions	Current year transfer out	Current year amortization	30 June 2009	Accumulative amortization
Land use rights	389,110,856	296,186,833	37,965,669	-	(4,822,095)	329,330,407	59,780,449
Patents	11,245,596	6,267,138	30,000	-	(554,333)	5,742,805	5,502,791
Exploitation rights	3,722,076	3,540,136	173,576	-	(154,141)	3,559,571	162,505
Others	2,069,678	1,954,237	43,753	-	(144,005)	1,853,985	215,693
	<u>406,148,206</u>	<u>307,948,344</u>	<u>38,212,998</u>	<u>-</u>	<u>(5,674,574)</u>	<u>340,486,768</u>	<u>65,661,438</u>

As at 30 June 2009, ownership certificates of land use right ("Land ownership Certificates") for certain land use rights of the Group with carrying amounts of approximately RMB 82,274,997 (at 31 December 2008: RMB 83,749,919) had not yet been obtained by the Group. The Company's directors are of the view that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and there will not be any significant adverse impact on the operations of the Group, except one piece of land as described below.

The Group has not yet obtained the Land Ownership Certificates for one piece of land which is located in Huangpu, Guangzhou, because the relevant permission for the change the land to industry purpose has not been obtained by local government. The carrying amounts of operating facilities located on that piece of land were approximately RMB 12,150,000. The board of directors is of view that the amount involved is not material, and all these facilities are not core production facilities, accordingly, this condition will not bring any significant adverse effect on the Group's operating or financial positions.

During the report period, research expenditure amounting to RMB 27,961,387 (the first half year 2008: RMB 23,185,777) charged to general and administrative expenses in income statements.

**(12) Goodwill**

	30 June 2009	31 December 2008
Goodwill	<u>3,039,946</u>	<u>3,039,946</u>

**(13) Short-term borrowings**

	30 June 2009	31 December 2008
Bank loans - unsecured	1,196,305,943	901,292,785
Bank loans – guaranteed (a)	383,317,817	322,656,911
Bank loans – pledged (b)	29,377,170	573,113,854
Short term finance bonds (c)	<u>1,000,000,000</u>	<u>1,000,000,000</u>
	<u>2,609,000,930</u>	<u>2,797,063,550</u>

- (a) As at 30 June 2009, loans of certain subsidiaries of the Company amounting to RMB 383,317,817 (at 31 December 2008: RMB 322,656,911) were guaranteed by the Company, of which, the minority shareholders provided a back to back guarantee to the Company amounting to RMB 31,564,660 (at 31 December 2008: RMB 12,124,007).
- (b) As at 30 June 2009, bank short term loans of USD borrowed by CSG HK is secured with pledge by the Company's deposit of RMB 239,760,000 (at 31 December 2008: RMB 486,400,000) (Note 7(1)).
- (c) As registered in by National Association of Financial Market Institutional Investors with document ZSXZ (2008) No, CP59, the Company is authorized to issue short term finance bond with a nominal amount of RMB 1,600,000,000, with the maturity of 21 August 2010. The Company has issued short term finance bonds with a nominal amount of RMB 1,000,000,000 on 10 September 2008, with an annual interest rate of 5.18% and maturity of 11 September 2010.

The following balances were dominated in foreign currency.

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	202,000,000	0.88153	178,069,060	130,000,000	0.8819	114,647,000
USD	87,959,699	6.83190	600,931,870	84,317,972	6.8346	576,279,611
			<u>779,000,930</u>			<u>690,926,611</u>

The weighted average interest rate of short-term bank borrowings in the report period is 4.11% per annum (2008: 5.80%).

As of 30 June 2009, the Group had unutilized balance of approximately RMB 9,226,600,000 (including RMB 0.6 billion facility of short term finance bond) (at 31 December 2008: approximately RMB 7,099,300,000) out of the

available facilities out of the available banking facilities granted from certain banks.

**(14) Notes payable**

	30 June 2009	31 December 2008
Trade acceptance notes	40,345,731	30,948,668
Bank acceptance notes	436,896,345	258,724,985
	<u>477,242,076</u>	<u>289,673,653</u>

**(15) Accounts payable**

The Group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

The following balances were dominated in foreign currency.

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	1,549,313	0.88153	1,365,766	109,655	0.8819	96,704
USD	8,396,128	6.83190	57,361,507	5,817,090	6.8346	39,757,483
EUR	3,103,296	9.64080	29,918,256	2,199,440	9.6590	21,244,391
JPY	175,912,078	0.07112	12,510,867	387,118,200	0.0757	29,304,848
AUD	76,470	5.54260	423,843	44,440	4.7135	209,468
			<u>101,580,239</u>			<u>90,612,894</u>

**(16) Advances from customers**

The Group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

The balances were substantively dominated in RMB.

**(17) Employee benefits payable**

	31 December 2008	Current year additions	Current year reductions	30 June 2009
Wages and salaries, bonuses, allowances and subsidies	33,551,703	156,491,312	(164,926,806)	25,116,209
Social security contributions	420,704	19,237,459	(19,136,853)	521,310
Housing funds	-	3,440,207	(3,230,379)	209,828
Defined contribution pension scheme	14,933	-	(14,933)	-
Labor union and employee education funds	3,807,888	4,007,760	(3,358,524)	4,457,124
Management bonus(a)	2,210,000	15,000,000	(1,940,000)	15,270,000
	<u>40,005,228</u>	<u>198,176,738</u>	<u>(192,607,495)</u>	<u>45,574,471</u>

- (a) Pursuant to the resolution in the 18th meeting of the third session board of directors of the Company on 28 January 2005, the board of directors adopted a management bonus scheme which is based on the annual return on net assets and the net profit for the year. During the year, a management bonus amounting to RMB 15,000,000 (the first half year 2008: RMB 23,307,430) were accrued and charged to income statements.

**(18) Taxes payable**

	30 June 2009	31 December 2008
Value-added-tax payable	2,466,634	25,705,477
Enterprise income tax payable	15,318,352	20,621,726
Business tax payable	1,593,074	1,154,943
Others	4,641,498	8,518,082
	<u>24,019,558</u>	<u>56,000,228</u>

**(19) Other payables**

	30 June 2009	31 December 2008
Share to be withdrawn	-	111,132,450
Guarantee deposits received from fixed assets vendors	49,475,483	46,666,516
Accrued utilities expenses	18,434,548	18,374,403
Professional services	3,300,000	4,456,836
Temporary receipts	5,595,819	4,069,696
Accrued sales commissions	1,201,376	3,089,159
Contracted labour costs	1,991,594	2,076,473
Others	38,413,377	38,973,950
	<u>118,412,197</u>	<u>228,839,483</u>

The Groups did not have any balances which were due to parties holding 5% or above shareholdings of the Company.

The balances were substantively dominated in RMB.

**(20) Other current liabilities**

	30 June 2009	31 December 2008
Provision	<u>10,768,073</u>	<u>10,914,222</u>

The movement of the provisions during the year were as follows:

	31 December 2008	Current year additions	Current year reductions	30 June 2009
Restructuring (a)	5,545,496	1,067	(147,216)	5,399,347
Warranty (b)	5,368,726	-	-	5,368,726
	<u>10,914,222</u>	<u>1,067</u>	<u>(147,216)</u>	<u>10,768,073</u>

(a) As certain engineering glass and ceramics production lines of the Group were relocated from Shenzhen to Dongguan, the Group made the provision for the compensation to the staff who would be affected, in accordance with relevant regulations and the announced compensation program of the Group. The amount was reviewed at the year end.

(b) The Group granted warranty for the products sold under certain contracts. As at 30 June 2009, certain claims were brought forward by the customers regarding the products quality faults. The Group has made the provision based on the historical claims and compensation data and the amounts were included in selling expenses.

**(21) Long-term borrowings**

	30 June 2009	31 December 2008
Bank borrowings		
- Unsecured	364,058,120	348,715,059
- Guarantee (a)	951,296,912	863,326,275
- Pledge (b)	11,544,544	14,055,675
	<u>1,326,899,576</u>	<u>1,226,097,009</u>
Less: current portion of long term borrowings	(68,943,414)	(83,968,751)
- unsecured	-	-
- Guarantee (a)	(63,925,138)	(78,948,425)
- Pledge (b)	(5,018,276)	(5,020,326)
	<u>1,257,956,162</u>	<u>1,142,128,258</u>

(a) The loans were borrowed by subsidiaries and guaranteed by the Company, repayable between July 2010 and September 2014, of which, RMB 68,448,200 (at 31 December 2008: 55,205,000) were back to back guaranteed by the minority shareholders of the subsidiaries to the Company.

(b) Long-term pledged borrowings were secured with pledge by the Group's fixed assets with a net book value of RMB 9,288,011 (original cost of RMB 10,084,311) (2008: net book value of RMB 9,447,679, original cost of RMB 10,084,311) (Note 7 (9)). The principal is due for repayment during July 2009 to November 2011.

The analysis of the long term bank loans by the banker is as follows:

	30 June 2009	31 December 2008
China Construction Bank	583,558,120	563,715,059
China Merchants Bank	300,000,000	322,000,000
Agriculture Bank of China	146,976,310	137,989,540
Industrial Bank	144,000,000	144,000,000
Bank of communications	50,000,000	-
China CITIC bank	50,000,000	-
Nanyang Commercial Bank	40,820,602	40,836,735
Bank of China	11,544,544	14,055,675
Industrial and Commercial Bank of China	-	3,500,000
	<u>1,326,899,576</u>	<u>1,226,097,009</u>

The long-term borrowings are repayable as follows

	30 June 2009	31 December 2008
Between 1 to 2 years	272,371,775	188,969,136
Between 2 to 5 years	935,584,387	705,659,122
Over 5 years	50,000,000	247,500,000
	<u>1,257,956,162</u>	<u>1,142,128,258</u>

The following balances were dominated in foreign currency.

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	13,096,030	0.88153	11,544,544	15,938,127	0.8819	14,055,834
USD	13,445,020	6.83190	91,855,032	13,445,020	6.8346	91,891,334
			<u>103,399,576</u>			<u>105,947,168</u>

The weighted average interest rate of long-term borrowings in the report period is 5.32% per annum (2008: 6.17%).

## (22) Deferred tax assets and Deferred tax liabilities

### (a) Deferred tax assets

	30 June 2009		31 December 2008	
	Deferred tax assets	Deductible temporary difference	Deferred tax assets	Deductible temporary difference
Provision for asset impairment	47,607,994	206,947,246	48,330,484	222,778,257
Pre-operating expenses	1,370,717	12,267,253	1,560,697	15,258,618
Accrued expenses	4,963,807	19,855,228	4,963,807	19,855,228
Tax losses	7,511,633	35,001,329	6,417,634	27,926,589
Contingent liabilities	169,415	941,196	169,415	941,196
	<u>61,623,566</u>	<u>275,012,252</u>	<u>61,442,037</u>	<u>286,759,888</u>

### (b) Deferred tax liabilities

	30 June 2009		31 December 2008	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Withholding Income tax (i)	<u>4,810,757</u>	<u>96,122,732</u>	<u>4,777,606</u>	<u>95,552,120</u>

- i) According to new CIT law, when the subsidiaries established in mainland China distributed profit to the subsidiaries established outside mainland China, the subsidiaries in mainland China need to withhold Income tax according to the proportion of distributed profit.

As at 30 June 2009, the Group did not recognize deferred tax assets amounting to approximately RMB 48,620,000 (at 31 December 2008: approximately RMB 45,900,000) in respect of tax losses amounting to approximately RMB 205,720,000 (at 31 December 2008: approximately RMB 192,810,000). The unused tax loss will expire from 2009 to 2013.

## (23) Other non-current liabilities

	30 June 2009	31 December 2008
Deferred income	<u>45,000,000</u>	<u>45,000,000</u>

As at 30 June 2009, the amount of deferred income were paid to Yi Chang CSG Silicon Materials Co Ltd ("Yi Chang Silicon") by 宜昌市东山建设发展总公司 under the provisions of the investment contract signed between the Group and the Municipal Government of Yi Chang. The proceeds were designed for the construction of electricity transformer and the pipelines etc. Yi Chang Silicon is entitled to the ownership of the facilities.

**(24) Share capital**

	31 December 2008	New issues during the year	Other movements during the year	30 June 2009
Shares with restriction on disposals				
- State and PRC legal person shares	199,499,837	-	(26,896,698)	172,603,139
- Others (Note (a))	49,243,169	-	(13,468,169)	35,775,000
	<u>248,743,006</u>	<u>-</u>	<u>(40,364,867)</u>	<u>208,378,139</u>
Shares without restriction on disposals				
- PRC public shares	539,781,299	-	26,999,867	566,781,166
- Domestically listed foreign shares	448,578,819	-	-	448,578,819
	<u>988,360,118</u>	<u>-</u>	<u>26,999,867</u>	<u>1,015,359,985</u>
<b>Total</b>	<b><u>1,237,103,124</u></b>	<b><u>-</u></b>	<b><u>(13,365,000)</u></b>	<b><u>1,223,738,124</u></b>

	31 December 2007	New issues during the year	Other movements during the year	30 June 2009
Shares with restriction on disposals				
- State and PRC legal person shares	352,884,817	-	(153,384,980)	199,499,837
- Others	103,169	-	-	103,169
	<u>352,987,986</u>	<u>-</u>	<u>(153,384,980)</u>	<u>199,603,006</u>
Shares without restriction on disposals				
- PRC public shares	386,396,319	-	153,384,980	539,781,299
- Domestically listed foreign shares	448,578,819	-	-	448,578,819
	<u>834,975,138</u>	<u>-</u>	<u>153,384,980</u>	<u>988,360,118</u>
<b>Total</b>	<b><u>1,187,963,124</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,187,963,124</u></b>

The nominal value of the Domestic is RMB 1 and that of domestically listed foreign shares is HKD 1.

**(a) Shared based payment**

Item	Quantity of A restricted shares (share)	Share capital	Treasury Stock	Capital Reserve
Balance at 1 January 2009	36,187,500	49,140,000	(12,952,500)	318,668,911
Shares to be withdrawn due to resignation of employees	(412,500)	-	(412,500)	(3,126,750)
Cancellation of treasury stock	-	(13,365,000)	13,365,000	-
Value of employee service	-	-	-	40,249,044
<b>Balance at 30 June 2009</b>	<b><u>35,775,000</u></b>	<b><u>35,775,000</u></b>	<b><u>-</u></b>	<b><u>355,791,205</u></b>

Pursuant to the restricted A share incentive scheme approved by the first special general meeting of the shareholders on 13 June 2008, the Company granted 49,140,000 share of restricted A share of the Company to

certain qualified employees of the Group (“the Qualified Employee”) at a grant price of RMB 8.58 per share on 16 June 2008.

The scheme will open for 60 months after the grant date of the restricted A share (“Grant Date”). The first twelve months following the Grant Date will be lock out period, in which the restricted A shares received by the Qualified Employees will be locked and cannot be transferred. The next 48 months are unlock period, the restricted A share can be transferred if certain vesting conditions are meet, by four batches of 25% each, starting at the end of first twelve months after the Grant Date.

The vesting conditions under the Company’s restricted A share incentive scheme performance appraisal policy include: a) the lower of the weighted average returns on net assets and the pre-exceptional item weighed average returns on net assets is 10% higher or same in the preceding year; b) the average annualized growth rate of the net profit of the Group from 2007 is 10% higher or same; and c) the Qualified Employees remains in service and performance is satisfied.

At the Grant Date, the fair value of the restricted A-share is 6.63 per share, being determined on the market price of the Group’s A share on the Grant Date after deducting the considerations paid by the employees. The fair value of the share based payments will be recognised as the expenses over the vesting period. At the balance sheet date, correct the amount of restricted A-share which could be unlock according as change of incentive staff, satisfaction of performance index and others up to date information. The employee benefits in every accounting period will be recognized on that basis. If the expense for incentive plan span multiple accounting period, it will be apportioned as a proportion which waiting period in the accounting period account the whole waiting period.

The follow shares was be recognized treasury stock: restricted A-share of 890,000 shares which will be buy back for the incentive staffs dismissal in 2008, restricted A-share of 12,062,500 shares which will be buy back for achievement index of the Company unsatisfied unlocking condition in the incentive plan and restricted A-share of 412,500 shares which will be buy back for incentive staffs dismissed from January to June 2009. The above treasury stock had been bought back and wrote off on 18 June 2009. The price of buying back is RMB 8.58 per share, and the total amount for buying bank is RMB 114,671,700.

Total employee compensation expense recognised under restricted A share incentive scheme for the first half year 2009 was RMB 42,293,453, the corresponding amount was credited to equity, of which RMB 40,249,044 were attributed to the Company capital reserve, RMB 2,044,409 to monitory interests.

## (25) Capital surplus

	31 December 2008	Current year additions	Current year reductions	30 June 2009
Capital premium	1,777,902,326	-	-	1,777,902,326
Change in fair value of available-for-sale financial assets				
- Gross	8,859,189	8,910,001	(5,251,313)	12,517,877
- Deferred tax liability	-	-	-	-
Share based payment (Note 7(24))				
- Proceeds from restricted A share stock granted	372,481,200	-	-	372,481,200
- Value of employee services	44,367,661	40,249,044	-	84,616,705
- Restricted A share stock cancelled and forfeited	(98,179,950)	-	(3,126,750)	(101,306,700)
Acquisition of minority interest	(35,418,308)	-	-	(35,418,308)
Transfer from the balance of capital surplus recognized under previous accounting system	(2,250,222)	-	-	(2,250,222)
	<u>2,067,761,896</u>	<u>49,159,045</u>	<u>(8,378,063)</u>	<u>2,108,542,878</u>

	31 December 2007	Current year additions	Current year reductions	30 June 2008
Capital premium	1,777,902,326	-	-	1,777,902,326
Change in fair value of available-for-sale financial assets				
- Gross	38,748,323	-	(22,575,622)	16,172,701
- Deferred tax liability	(4,643,214)	3,816,906	-	(826,308)
Share based payment (Note 7(24))				
- Proceeds from restricted A share stock granted	-	-	-	-
- Value of employee services	-	3,167,484	-	3,167,484
- Restricted A share stock cancelled and forfeited	-	-	-	-
Acquisition of minority interest	(7,476,681)	-	-	(7,476,681)
Transfer from the balance of capital surplus recognized under previous accounting system	(2,250,222)	-	-	(2,250,222)
	<u>1,802,280,532</u>	<u>6,984,390</u>	<u>(22,575,622)</u>	<u>1,786,689,300</u>

**(26) Surplus reserve**

	31 December 2008	Current year additions	Current year utilised	30 June 2009
Reserve fund	263,187,790	-	-	263,187,790
Enterprise Expansion Fund	127,852,568	-	-	127,852,568
	<u>391,040,358</u>	<u>-</u>	<u>-</u>	<u>391,040,358</u>

  

	31 December 2007	Current year additions	Current year utilised	30 June 2008
Reserve fund	231,324,288	-	-	231,324,288
Enterprise Expansion Fund	127,852,568	-	-	127,852,568
	<u>359,176,856</u>	<u>-</u>	<u>-</u>	<u>359,176,856</u>

According to the Articles of Association of the Company and the Company Law of PRC, the Company has to appropriate 10% of its net profit after making good of the deficit of prior years to the statutory surplus reserve, until where the reserve balance has reached 50% of the paid in share capital of the Company. With the approval obtained from the relevant government authorities, the statutory surplus reserve can be utilized to offset any deficit or to increase the share capital of the Company, provided that the remaining balance of the reserve, after such utilizations, does not fall below 25% of the issued share capital balance. During the report period, the Company did not appropriate to statutory surplus reserve.

The appropriation to discretion surplus reserve is to be proposed by the board of the directors of the Company and approved by the annual general meeting of the shareholders. The discretion can be utilized to offset the deficit or increase the share capital. The Company did not appropriate to discretion surplus reserve during the report period.

**(27) Undistributed profit**

The shareholder resolved on 5 June 2009 that a dividend of RMB 1.00 for each 10 shares of outstanding shares as 1,223,738,124 in total, deducting the restricted A shares for incentive plan to be cancelled (note 7 (24)), with an aggregated amount of 122,373,812 is distributed.

Undistributed profit of the Group includes the surplus reserve of the subsidiaries attributable to the Group

amounting to RMB 304,715,177 (at 31 December 2008: RMB 304,715,177).

## (28) Minority Interests

Each company's minority interests disclosed as follows:

	30 June 2009	31 December 2008
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	55,485,155	70,733,783
Shenzhen CSG Display Technology Co., Ltd.	36,601,189	45,594,004
Chengdu CSG Glass Co., Ltd.	105,654,518	115,550,246
Yichang CSG Silicon Co., Ltd.	36,113,547	36,532,568
	<u>233,854,409</u>	<u>268,410,601</u>

## (29) Revenue and cost of sales

	Jan.~Jun. 2009	Jan.~Jun. 2008
Revenue from main operations	2,059,475,677	2,125,530,992
Revenue from other operations	6,071,702	6,246,100
	<u>2,065,547,379</u>	<u>2,131,777,092</u>
	Jan.~Jun. 2009	Jan.~Jun. 2008
Cost of sales from main operations	1,416,939,181	1,441,541,172
Cost of sales from other operations	2,149,588	1,433,750
	<u>1,419,088,769</u>	<u>1,442,974,922</u>

### (a) Revenue from main operations and cost of goods sold

	Jan.~Jun. 2009		Jan.~Jun. 2008 (Restated)	
	Revenue	Cost	Revenue	Cost
Flat glass industry	1,112,939,543	840,514,251	1,192,204,062	873,269,018
Architectural glass industry	852,949,006	554,395,287	746,749,681	504,115,904
Fine glass industry	187,473,073	123,263,915	265,247,829	146,164,535
Solar energy industry	2,593,625	2,712,603	-	-
Others	33,082,675	18,860,433	18,944,504	15,606,799
Elimination	(129,562,245)	(122,807,308)	(97,615,084)	(97,615,084)
	<u>2,059,475,677</u>	<u>1,416,939,181</u>	<u>2,125,530,992</u>	<u>1,441,541,172</u>

The Group reorganized Dongguan CSG Solar Glass Co., Ltd. to the segment of Floating Glass in the second half year 2008. The relevant comparatives have been restated.

### (b) Other revenue and cost

	Jan.~Jun. 2009		Jan.~Jun. 2008	
	Revenue	Cost	Revenue	Cost
Sale of raw materials	2,024,776	1,929,865	3,820,667	1,385,791
Others	4,046,926	219,723	2,425,433	47,959
	<u>6,071,702</u>	<u>2,149,588</u>	<u>6,246,100</u>	<u>1,433,750</u>

## (30) Tax and levies on operations

	Jan.~Jun. 2009	Jan.~Jun. 2008
Business tax	721,665	64,647
City maintenance and construction tax	450,555	429,485
Educational surcharge	345,513	219,076
Resources duty	655,065	714,164
Others	615,987	591,494
	<u>2,788,785</u>	<u>2,018,866</u>

**(31) Finance expenses – net**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Interest expenses		
- Interests on borrowings	42,842,546	77,006,658
- Interests on short term finance bonds	21,561,142	4,601,667
- Interests on discounting bank acceptance notes	2,523,757	3,506,557
	<u>66,927,445</u>	<u>85,114,882</u>
Less: interest income	(19,591,697)	(4,479,597)
Add: net exchange loss / (Less: gains)	477,352	(91,237,342)
Others	5,877,977	5,794,890
	<u>53,691,077</u>	<u>(4,807,167)</u>

**(32) Impairment losses**

	Jan.~Jun. 2009	Jan.~Jun. 2009
Impairment losses for bad debts provision	1,937,952	895,433
Impairment losses for declines in the value of inventories	(1,816,585)	(4,424,582)
Impairment losses for fixed asset	-	(4,143,794)
	<u>121,367</u>	<u>(7,672,943)</u>

**(33) Investment income**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Gain from available-for-sale financial assets	6,939,570	7,485,292
Gain from disposal of a subsidiary	-	36,949,521
	<u>6,939,570</u>	<u>44,434,813</u>

**(34) Non-operating income and expenses****(a) Non-operating income**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Gain on disposal of fixed assets	1,318,400	575,289
Government grant (i)	13,717,224	9,453,400
Others	130,903	330,928
	<u>15,166,527</u>	<u>10,359,617</u>

i) Government grants include tax refund, compensation on interest of bank borrowings and other supporting funds received from the local government by certain subsidiaries.

**(b) Non-operating expenses**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Loss on disposal of fixed assets	117,061	3,334,216
Insurance claim	1,073,752	-
Others	111,357	3,676,729
	<u>1,302,170</u>	<u>7,010,945</u>

**(35) Income tax expenses**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Current income tax	23,138,981	43,546,381
Deferred income tax	(148,378)	(7,272,196)
	<u>22,990,603</u>	<u>36,274,185</u>

The reconciliation from income tax calculated based on applicable tax rate and total profit presented in the consolidated financial statements to the income tax expenses is as follows:

	Jan.~Jun. 2009	Jan.~Jun. 2008
Total profit	<u>311,966,965</u>	<u>495,964,965</u>
Income tax expenses calculated at applicable tax rates	24,202,278	39,118,165
Effect of change in tax rates	(73,151)	172,154
Expenses not deductible for tax purpose	3,894,997	570,147
Utilization of previously unrecognized tax losses	(2,116,274)	(931,980)
Tax loss for which no deferred income tax asset was recognized	601,651	1,428,399
Utilization of previously unrecognized deferred tax assets	(1,487,872)	(3,161,955)
Deduction of R&D expenses in audit for income tax	(2,031,026)	(920,745)
Income tax expenses	<u>22,990,603</u>	<u>36,274,185</u>

**(36) Earning per share****(a) Earnings per share - basic**

Basic earning's per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Jan.~Jun. 2009	Jan.~Jun. 2008
Consolidated profit attributable to shareholders of the Company	261,159,985	409,853,633
Weighted average number of ordinary shares in issue	<u>1,237,103,124</u>	<u>1,187,963,124</u>
Basic earnings per share	<u>0.21</u>	<u>0.35</u>

**(b) Earnings per share - diluted**

The Company had not potential dilutive outstanding equity instruments issued as at 30 June 2009 and report period, accordingly the diluted earnings per share are the same as basic ones.

**(37) Other general income****(a) Other general income in current period**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Profit or loss from fair value of available-for-sale financial assets	8,910,001	(10,812,770)
Difference on translation of foreign currency financial statements	1,385,541	(2,415,624)
Tax effects	-	-
	<u>10,295,542</u>	<u>(13,228,394)</u>

- (b) The cumulative gain or loss previously recognized in other general income is recognized in profit or loss for the current period

	Jan.~Jun. 2009	Jan.~Jun. 2008
Sold available-for-sale financial assets, and the fair value previously recognized in capital reserved is recognized in profit or loss for the current period	<u>5,251,313</u>	<u>7,945,946</u>

**(38) Notes to consolidated cash flow statements**

- (a) Reconciliation from the net profit to the cash flows from operating activities

	Jan.~Jun. 2009	Jan.~Jun. 2008
Net profit	288,976,362	459,690,780
Add: Provisions for assets impairment	121,367	(7,672,943)
Depreciation of fixed assets	197,160,079	164,967,050
Amortization of intangible assets	5,674,574	5,401,659
Losses / (Gain) on disposal of fixed assets and intangible assets	(1,201,339)	2,758,927
Finance expenses (gain)	58,678,652	(10,824,359)
Investment losses / (gain)	(6,939,570)	(44,434,813)
Value of employee service relating to share based payment	42,293,453	3,167,484
Decrease / (increase) in deferred tax assets	(181,529)	(4,356,815)
Increase / (decrease) in deferred tax liabilities	33,151	(2,915,381)
Increase in inventories	(33,236,366)	(19,996,075)
Increase in operating receivables	(102,869,656)	(135,172,598)
Increase in operating payables	211,844,434	67,859,718
Net cash flows from operating activities	<u>660,353,612</u>	<u>478,472,634</u>

- (b) Net increase in cash and cash equivalents

	Jan.~Jun. 2009	Jan.~Jun. 2008
Cash at end of year	317,185,209	774,906,533
Less: cash at beginning of year	(394,923,631)	(1,259,606,553)
Net increase in cash and cash equivalents	<u>(77,738,422)</u>	<u>(484,700,020)</u>

- (c) Cash and cash equivalents

	30 June 2009	30 June 2008
Cash in bank and on hand		
- Cash on hand	86,714	191,233
- Cash in bank	556,378,229	1,366,065,862
- Other	40,286,015	18,817,946
	<u>596,750,958</u>	<u>1,385,075,041</u>
Less: restricted cash at bank	(279,565,749)	(610,168,508)
	<u>317,185,209</u>	<u>774,906,533</u>

## (d) Cash received relating to other operating activities

	Jan.~Jun. 2009	Jan.~Jun. 2008
Freight expenses	70,896,689	73,376,507
Research and development expenses	12,184,000	18,548,622
Eatery expenses	10,787,431	9,587,419
Office expenses	9,137,541	7,194,904
Communication, repair and vehicle operation expenses	8,571,996	8,208,411
Advertising expenses	8,057,464	3,678,965
Traveling expenses	7,779,007	7,253,716
Entertainment expenses	5,782,079	5,127,975
Others	18,998,709	29,282,853
	<u>152,194,916</u>	<u>162,259,372</u>

## 8 Segment information

The Group recognize the business segment according as inter-organization structure, management requirement and internal report system, and the business segment is the base to recognize the report segment.

Segment information as at and for the period ended 30 June 2009 is as follows:

	Flat glass	Architectural glass	Fine glass	Solar energy industry	Others	Elimination	Total
Revenue from external customers	994,279,979	855,634,811	187,387,435	2,593,625	25,651,529	-	2,065,547,379
Inter-segment revenue	120,297,011	1,600,516	94,718	-	7,570,000	(129,562,245)	-
Revenue	1,114,576,990	857,235,327	187,482,153	2,593,625	33,221,529	(129,562,245)	2,065,547,379
Less: Operating expenses	(946,316,649)	(669,687,313)	(145,060,523)	(20,834,869)	(24,992,373)	122,807,308	(1,684,084,419)
Segment results	168,260,341	187,548,014	42,421,630	(18,241,244)	8,229,156	(6,754,937)	381,462,960
Less: unallocated expenses							(83,360,352)
<b>Operating profit</b>							<u>298,102,608</u>
Segment assets	4,682,763,837	2,895,449,906	977,383,019	1,492,754,851	121,300,500		10,169,652,113
Including: non-current assets	4,107,976,742	2,448,437,498	837,879,076	1,459,011,079	85,721,000		8,939,025,395
Add: unallocated assets							440,775,320
<b>Total assets</b>							<u>10,610,427,433</u>
Segment liabilities	715,382,759	569,508,891	111,844,289	239,611,866	33,581,020		1,669,928,825
Add: unallocated liabilities							3,981,497,464
<b>Total liabilities</b>							<u>5,651,426,289</u>
Depreciation and amortization	101,976,008	63,959,945	29,948,664	3,800,568	3,149,468		202,834,653
Provisions / (gain) for asset impairment	(5,582)	72,401	51,608	2,940	-		121,367
Capital expenditures	265,999,470	91,098,791	18,510,690	316,303,848	1,200,976		693,113,775

Segment information as at and for the period ended 30 June 2008 (restated) is as follows:

	Flat glass	Architectural glass	Fine glass	Solar energy industry	Others	Elimination	Total
Revenue from external customers	1,100,273,958	747,232,201	265,247,829	-	19,023,104	-	2,131,777,092
Inter-segment revenue	93,614,780	4,000,304	-	-	-	(97,615,084)	-
Revenue	1,193,888,738	751,232,505	265,247,829	-	19,023,104	(97,615,084)	2,131,777,092
Less: Operating expenses	(966,524,702)	(598,585,247)	(176,046,916)	(9,556,841)	(17,057,480)	97,615,084	(1,670,156,102)
Segment results	227,364,036	152,647,258	89,200,913	(9,556,841)	1,965,624	-	461,620,990
unallocated expenses or profit							30,995,303
Operating profit							492,616,293
Segment assets	4,106,237,856	2,799,851,656	1,013,726,988	853,798,038	83,831,286		8,857,445,824
Including: non-current assets	3,380,800,227	2,183,967,392	804,930,603	749,081,901	50,343,049		7,169,123,172
Add: unallocated assets							686,481,416
Total assets							9,543,927,240
Segment liabilities	574,095,488	477,005,255	81,357,974	76,594,908	16,514,789		1,225,568,414
Add: unallocated liabilities							3,804,783,627
Total liabilities							5,030,352,041
Depreciation and amortization	90,735,015	47,999,102	27,376,586	2,157,463	2,100,543		170,368,709
Provisions / (gain) for asset impairment	(3,675,764)	345,122	65,091	-	(4,407,392)		(7,672,943)
Capital expenditures	352,301,644	316,523,724	81,505,838	423,824,795	12,756,183		1,186,912,184

- (a) Inter-segment transfers are measured by reference to the market price. As holding company, the Company have not substantiality business, and its main function is management of development strategy, programming of investment, optimizing the distribution (allocation) of resources and supervising management. Expense, loan and its interest of the Company didn't distribute to the segment.

The Group manage operation according as product category, including: 1) Flat glass segment, produce and sell flat glass. 2) Architecture glass segment, produce and sell processing glass such as coated glass, insulating glass and so on. 3) Fine glass, produce and sell conductive glass such as ITO, CF applied to display product. 4) Solar energy industry, produce and sell high-purity poly-silicon, PV solar cell, thereinto, poly-silicon project is trial operation, and didn't realize income temporary. The Group also produce and sell ceramic product and deal with real estate, these industry were be ranged to Others for its less business.

- (b) The Group reorganized Dongguan CSG Solar Glass Co., Ltd. to the segment of Floating Glass in the second half year 2008. The relevant comparatives have been restated.

Main subsidiary company of the Company registered in Mainland P.R.C. Income of external trade in the Group is RMB 1,737,762,202 (the first half year 2008: RMB 1,775,887,965). Income of external trade from other countries and regions except Mainland P.R.C. is RMB 327,785,177 (the first half year 2008: RMB355,889,127). The non-current assets (ex financial assets, deferred tax assets) of the Group located in Mainland P.R.C. is RMB 8,967,687,832 (as at 30 June 2008: RMB 7,210,899,436). The non-current assets (ex financial assets, deferred tax assets) of the Group located in other countries and regions is RMB 10,501,149 (as at 30 June 2008: RMB 10,253,824).

The sales to the Group's top five customers were amounting to RMB 329,348,532 (the first half year 2008: RMB

336,560,667), account for 16% of the Group's total sales (the first half year 2008:16%).

## 9 Related parties and related party transactions

### (1) The parent company and subsidiaries

The general information of the subsidiaries is set out in Note 6.

The Company regard no entity is the parent company.

### (2) Related party transactions

Except for those mentioned in former sections, the significant transactions between the Company and the subsidiaries are as below:

#### (a) Interest charged to subsidiaries

	Jan.~Jun. 2009	Jan.~Jun. 2008
Chengdu CSG Glass Co., Ltd.	5,950,000	2,082,600
Guangzhou CSG Glass Co., Ltd.	5,208,700	1,865,500
Shenzhen CSG Float Glass Co., Ltd.	579,000	790,833
China Southern Glass (Hong Kong) Limited	273,835	923,849
	<u>12,011,535</u>	<u>5,662,782</u>

The interest charged to subsidiaries is measured by reference to bank loan interest rate at corresponding period.

#### (b) Interest expense and surcharges of short term finance bonds allocated to subsidiaries

	Jan.~Jun. 2009	Jan.~Jun. 2008
Chengdu CSG Glass Co., Ltd.	2,580,000	1,277,500
Guangzhou CSG Glass Co., Ltd.	3,096,000	1,581,667
Shenzhen CSG Float Glass Co., Ltd.	5,160,000	790,833
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	4,386,000	-
Tianjin CSG Architectural Glass Co., Ltd.	1,548,000	365,000
Dongguan CSG Solar Glass Co., Ltd.	2,322,000	-
Shenzhen CSG Display Technology Co., Ltd.	1,290,000	-
Wujiang CSG Glass Co. Ltd.	129,000	-
	<u>20,511,000</u>	<u>4,015,000</u>

The Company allotted the proceeds from issuance of short term finance bonds to certain subsidiaries according to the circular and related interest expenses and surcharges were allocated to these subsidiaries based on the effective interest rate accordingly.

#### (c) Guarantee provided for subsidiaries

The guarantee information of the company is listed as below:

	30 June 2009	31 December 2008
Hebei CSG Glass Co., Ltd.	468,000,000	400,000,000
Yichang CSG Silicon Co., Ltd.	194,000,000	254,000,000
Wujiang CSG North-east Architectural Glass Co., Ltd.	95,476,310	121,489,540
Chengdu CSG Glass Co., Ltd.	251,258,640	82,036,026
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	85,000,000	80,000,000
Guangzhou CSG Glass Co., Ltd.	55,000,000	64,000,000
Tianjin Energy Conservation Glass Co., Ltd.	37,731,576	53,944,085
Tianjin CSG Architectural Glass Co., Ltd.	15,000,000	52,338,400
Shenzhen CSG Float Glass Co., Ltd.	40,820,603	40,836,735
Dongguan CSG Architectural Glass Co., Ltd.	27,327,600	27,338,400
Shenzhen CSG Display Technology Co., Ltd.	-	10,000,000
Dongguan CSG PV-tech Co., Ltd.	30,000,000	-
Dongguan CSG Solar Glass Co., Ltd.	35,000,000	-
	<u>1,334,614,729</u>	<u>1,185,983,186</u>

(3) Receivables from and payables to related parties

(a) Other receivables

	30 June 2009	31 December 2008
Shenzhen CSG Float Glass Co., Ltd.	9,528,486	212,142,286
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	172,163,880	171,895,039
Guangzhou CSG Glass Co., Ltd.	127,376,643	127,092,765
Chengdu CSG Glass Co., Ltd.	256,402,078	108,476,010
Dongguan CSG Solar Glass Co., Ltd.	92,848,984	92,489,908
Shenzhen CSG Display Technology Co., Ltd.	51,127,060	37,772,279
Tianjin CSG Architectural Glass Co., Ltd.	55,778,657	13,336,463
Dongguan CSG Architectural Glass Co., Ltd.	5,992,802	5,582,896
Wujiang CSG North-east Architectural Glass Co., Ltd.	4,853,282	4,688,620
Dongguan CSG PV-tech Co., Ltd.	1,806,081	1,752,710
Hebei CSG Glass Co., Ltd.	1,621,547	1,423,236
Sichuan Luxian CSG Silica Sand Mine Co., Ltd.	575,029	575,029
Tianjin Energy Conservation Glass Co., Ltd.	557,158	441,695
Dongguan CSG Ceramics Technology Co., Ltd.	239,162	142,117
Sichuan CSG Industrial Development Co., Ltd.	90,000	90,000
Hainan CSG Industrial Development Co., Ltd.	31,400	31,400
China Southern Glass (Hong Kong) Limited	(355,573)	(904,838)
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	12,500	-
Jiangyou CSG Mining Development Co., Ltd.	1,320	-
Shenzhen CSG Structure Ceramics Co., Ltd.	757,797	-
	<u>781,408,293</u>	<u>777,027,615</u>

The ending balance includes proceeds from issuance of short term finance bonds allocated to certain subsidiaries totaling RMB 791,820,000 (at 31 December 2008: RMB 791,820,000).

## (b) Long term receivables

	30 June 2009	31 December 2008
Chengdu CSG Glass Co., Ltd.	93,708,372	250,455,159
Guangzhou CSG Glass Co., Ltd.	206,122,765	190,154,676
Tianjin Energy Conservation Glass Co., Ltd.	179,486,861	179,900,000
Dongguan CSG Architectural Glass Co., Ltd.	127,601,200	168,601,200
Shenzhen CSG Float Glass Co., Ltd.	321,916,964	121,086,538
Hainan CSG Industrial Development Co., Ltd.	105,858,697	105,858,697
Dongguan CSG Solar Glass Co., Ltd.	117,854,237	68,890,024
Wujiang CSG North-East Architectural Glass Co., Ltd.	51,900,000	55,900,000
Sichuan CSG Industrial Development Co., Ltd.	44,684,003	48,684,003
Sichuan Luxian CSG Silica Sand Mine Co., Ltd.	36,060,000	36,060,000
Dongguan CSG PV-tech Co., Ltd.	26,861,195	34,104,099
China Southern Glass (Hong Kong) Limited	29,186,350	29,197,885
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	23,920,768	22,266,726
Tianjin CSG Industrial Development Co., Ltd.	-	4,277,283
China Southern Glass (Australia) Pty Ltd.	1,379,671	1,379,671
Hebei CSG Glass Co., Ltd.	9,881,079	-
	<u>1,376,422,162</u>	<u>1,316,815,961</u>
Less: Provision for bad debts	<u>(169,599,767)</u>	<u>(173,774,757)</u>
	<u>1,206,822,395</u>	<u>1,143,041,204</u>

## (c) Other payables

	30 June 2009	31 December 2008
Shenzhen CSG Architectural Glass Co., Ltd.	69,727,946	71,217,734
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	9,416,567	10,671,211
Shenzhen CSG Structure Ceramics Co., Ltd.	-	8,644,736
Jiangyou CSG Mining Development CO., Ltd.	-	5,000,000
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	-	2,942,309
Beihai CSG Industrial Development Co., Ltd.	2,041,468	2,041,468
Shenzhen CSG Wellight Coating Glass Co., Ltd.	616,885	685,429
Yichang CSG Silicon Co., Ltd.	398,667	564,196
Shenzhen CSG Spandrel And Tempglass Co., Ltd.	15,209	33,855
Tianjin CSG Industrial Development Co., Ltd.	2,842,717	-
Shenzhen V-Interface Technology Co., Ltd.	525,322	-
	<u>85,584,781</u>	<u>101,800,938</u>

**10 Commitments**Capital commitments

As at 30 June 2008, capital expenditures contracted for at the balance sheet date but not recognized in the financial statements are as follows:

	30 June 2009	31 December 2008
Buildings, machinery and equipment	244,324,175	839,819,471
Investment		28,560,000
	<u>244,324,175</u>	<u>868,379,471</u>

**11 Contingencies**

As at 30 June 2009, the Group has no significant contingency liability.

**12 Net profit after extra ordinary gains and losses**

	Jan.~Jun. 2009	Jan.~Jun. 2008
Net profit	288,976,362	459,690,780
Plus/(Less): losses/(gains) on disposal of non-current assets	(1,201,339)	2,758,927
Net gain on disposal of subsidiary	-	(36,949,521)
Net gain from available-for-sale financial assets	(6,939,570)	(7,485,292)
Other non-operating expenses-net	(12,663,018)	(6,107,599)
Tax effects on extraordinary gain and losses	2,742,967	786,442
Net profit before extraordinary gain to losses	270,915,402	412,693,737
- Attributable to Shareholder of the company	245,535,307	363,766,326
- Minority interests	25,380,095	48,927,411

The basis of preparation of net profit before extraordinary gains and losses reconciliation

According to the Q&A on Disclosure of Information by Public Companies No 1 – Extraordinary gains and losses [2008], extraordinary gains and losses are the gains and losses being resulted from the transactions/events which are not incurred by the operation of the entity, or, though incurred by the operation, the nature, amounts or the frequency of such transactions/events will lead to a misleading presentation of the normal performance and profitability of the operation of the entity.

**13 Notes to the Company's financial statements****(1) Other receivables**

	30 June 2009	31 December 2008
Other receivables	782,242,750	777,848,857
Less: provision for bad debts	(810,344)	(810,344)
	781,432,406	777,038,513

The ageing of receivables and related provisions for bad debts are analysed below:

	30 June 2009			31 December 2008		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	781,432,406	-	-	777,038,513	100%	-
Over 3 year	810,344	0%	(810,344)	810,344	0%	(810,344)
	782,242,750		(810,344)	777,848,857	100%	(810,344)

The other receivables are analysed by categories as follows:

	30 June 2009				31 December 2008			
	Amount	% of total balance	Provision for bad debts	Provision ratio	Amount	% of total balance	Provision for bad debts	Provision ratio
Receivables that are individually significant	810,344	0%	(810,344)	100%	810,344	0%	(810,344)	100%
Receivables not individually significant but with high risk in groups	781,432,406	100%	-	-	777,038,513	100%	-	-
	<u>782,242,750</u>	<u>100%</u>	<u>(810,344)</u>	<u>0%</u>	<u>777,848,857</u>	<u>100%</u>	<u>(810,344)</u>	<u>0%</u>

As at 30 June 2009, included in the balances were the loans to subsidiary of RMB 781,408,293 (2008: RMB 777,027,615).

(2) Long-term equity investments

	30 June 2009	31 December 2008
Subsidiaries (a)	3,029,539,982	2,880,721,620
Other long-term equity investments (c)	<u>21,841,000</u>	<u>21,841,000</u>
	3,051,380,982	2,902,562,620
Less: Provision for impairment of long-term equity investments (b)	<u>(111,553,004)</u>	<u>(111,553,004)</u>
	<u>2,939,827,978</u>	<u>2,791,009,616</u>

The long-term equity investments of the Group are not subject to restriction on conversion into cash or restriction on remittance of investment income.

## (a) Subsidiaries

Name of subsidiaries	31 December 2008	Current year addition	Current year disposal	30 June 2009
Shenzhen CSG Southern Star Glass Processing Co., Ltd.	23,104,499	-	-	23,104,499
Shenzhen CSG Architectural Glass Co., Ltd.	32,000,000	-	-	32,000,000
Hainan CSG Industrial Development Co., Ltd.	31,874,472	-	-	31,874,472
China Southern Glass (Australia) Pty Ltd.	3,539,230	314,234	-	3,853,464
CSG Spandrel And Tempglass Co., Ltd.	15,000,000	-	-	15,000,000
Shenzhen CSG Structure Ceramics Co., Ltd.	30,000,000	-	-	30,000,000
Shenzhen CSG Float Glass Co., Ltd.	607,554,740	1,628,003	-	609,182,743
Sichuan CSG Industrial Development Co., Ltd.	40,000,000	-	-	40,000,000
Hainan Wen Chang CSG Silica Sand Mine Co., Ltd.	40,557,556	522,706	-	41,080,262
Beihai CSG Industrial Development Co., Ltd.	13,000,000	-	-	13,000,000
Tianjin CSG Industrial Development Co., Ltd.	15,000,000	-	-	15,000,000
Shenzhen CSG Display Technology Co., Ltd.	58,440,405	2,417,959	-	60,858,364
Tianjin Energy Conservation Glass Co., Ltd.	97,421,950	1,250,503	-	98,672,453
Shenzhen CSG Wellight Coating Glass Co., Ltd.	66,171,348	-	-	66,171,348
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	75,152,468	1,209,203	-	76,361,671
Tianjin CSG Architectural Glass Co., Ltd.	134,921,951	1,250,503	-	136,172,454
China Southern Glass (Hong Kong) Limited	82,458,227	736,207	-	83,194,434
Guangzhou CSG Glass Co., Ltd.	196,662,313	1,289,768	-	197,952,081
Chengdu CSG Glass Co., Ltd.	103,389,477	3,431,769	-	106,821,246
Sichuan Luxian CSG Silica Sand Mine Co Ltd.	13,720,000	-	-	13,720,000
Dongguan CSG Architectural Glass Co., Ltd.	183,059,685	2,934,651	-	185,994,336
Dongguan CSG Solar Glass Co., Ltd.	131,229,468	2,203,152	-	133,432,620
Yichang CSG Silicon Co., Ltd.	332,775,161	123,345,227	-	456,120,388
Wujiang CSG North-east Architectural Glass Co., Ltd.	242,136,554	2,006,312	-	244,142,866
Dongguan CSG PV-tech Co., Ltd.	76,248,259	1,328,762	-	77,577,021
Dongguan CSG Ceramics Technology Co., Ltd.	51,202,296	1,057,623	-	52,259,919
Heibei CSG Glass Co., Ltd.	178,443,502	1,837,912	-	180,281,414
Jiangyou CSG Mining Development CO., Ltd.	5,658,059	53,868	-	5,711,927
<b>Total</b>	<b>2,880,721,620</b>	<b>148,818,362</b>	<b>-</b>	<b>3,029,539,982</b>

## (b) Impairment for investments in subsidiaries

Name of subsidiaries	31 December 2008	Current year addition	Current year disposal	30 June 2009
Hainan CSG Industrial Development Co., Ltd.	(31,874,472)	-	-	(31,874,472)
Sichuan CSG Industrial Development Co., Ltd.	(40,000,000)	-	-	(40,000,000)
Tianjin CSG Industrial Development Co., Ltd.	(15,000,000)	-	-	(15,000,000)
Beihai CSG Industrial Development Co., Ltd.	(10,958,532)	-	-	(10,958,532)
Sichuan Luxian CSG Silica Sand Mine Co Ltd	(13,720,000)	-	-	(13,720,000)
	<b>(111,553,004)</b>	<b>-</b>	<b>-</b>	<b>(111,553,004)</b>

## (c) Other long-term equity investments

	30 June 2009	31 December 2008
Beijing Wan Tong Industrial Co., Ltd.	4,200,000	4,200,000
Guangdong Golden Glass Technologies Ltd.	17,641,000	17,641,000
	<b>21,841,000</b>	<b>21,841,000</b>

## (3) Long term receivables

	30 June 2009	31 December 2008
Part of the investments in subsidiaries	<u>1,206,822,395</u>	<u>1,143,041,204</u>

As at 30 June 2009, the balance included long term receivables due from Sichuan CSG Industrial Development Co., Ltd., Hainan CSG Industrial Development Co., Ltd. and Sichuan Luxian Silicon Sand Mine Co., Ltd. with an aggregation of RMB 186,602,700 (at 31 December 2008: RMB 194,879,983). As these subsidiaries had a deficit in equity and their operations were mainly financed by the Company, the Company, when performing impairment assessments, recognized the deficit in equity as investment losses to extent to the long term receivables which actually constituted part of the investment costs in these subsidiaries. As at 30 June 2009, the provisions made for the receivables due by these subsidiaries were RMB 169,599,767 (at 31 December 2008: RMB 173,774,757).

## (4) Other payables

	30 June 2009	31 December 2008
Subsidiaries	85,584,781	101,800,938
Liabilities relating to stock withdrawn	-	111,132,450
Others	<u>15,972,673</u>	<u>17,183,815</u>
	<u>101,557,454</u>	<u>230,117,203</u>

## (5) Investment income

	Jan.~Jun. 2009	Jan.~Jun. 2008
Dividends income	471,712,307	307,454,775
Reversing from loss of Long-term equity investments in subsidiaries	-	42,726,586
Gain from disposal of a subsidiary	6,939,570	7,485,292
Gain from available-for-sale financial assets	<u>4,174,990</u>	<u>4,368,698</u>
	<u>482,826,867</u>	<u>362,035,351</u>

**SUPPLEMENTAL INFORMATION****1 Major change of the financial indices**

	Note	30 June 2009	31 December 2008	Increase / Decrease	% of Increase / Decrease
Cash at bank and on hand	(1)	59,675	103,378	(43,703)	-42%
Notes receivable	(2)	15,721	11,604	4,117	35%
Accounts receivable	(3)	31,336	23,658	7,678	32%
Advances to suppliers	(4)	8,318	5,294	3,024	57%
Notes payable	(2)	47,724	28,967	18,757	65%
Taxes payable	(5)	2,402	5,600	(3,198)	-57%
Interest payable	(6)	4,472	2,096	2,376	113%
Other payables	(7)	11,841	22,884	(11,043)	-48%

	注释	Jan.~Jun. 2009	Jan.~Jun. 2008	Increase / Decrease	% of Increase / Decrease
Taxes and surcharges	(8)	279	202	77	38%
General and administrative expenses	(9)	18,753	14,478	4,275	30%
Financial expenses	(10)	5,369	-481	5,850	-
Investment income	(11)	694	4,443	(3,749)	-84%
Operating profit	(12)	29,810	49,262	(19,452)	-39%
Non-operating income	(13)	1,517	1,036	481	46%
Non-operating expenses	(14)	130	701	(571)	-81%
Total profit	(12)	31,197	49,596	(18,399)	-37%
Income tax expenses	(12)	2,299	3,627	(1,328)	-37%
Net profit	(12)	28,898	45,969	(17,071)	-37%

- (1) Mainly reason for decrease of Cash at bank and on hand was the guarantee money of RMB 357 million at the year-begin was expired in the report period, and the raised special fund of RMB 120 million was put into project, which caused the bank deposit decrease.
- (2) Mainly reason for increase of notes receivable and notes payable was increase of the amount settled by notes.
- (3) Mainly reason for increase of accounts receivable was changes of some clients' account duration.
- (4) Mainly reason for increase of advances to suppliers was increase of project prepayment, equipment prepayment and material prepayment for the project construction.
- (5) Mainly reason for decrease of taxes payable was increase of value-added overpaid input tax.
- (6) Mainly reason for increase of interest payable was increase of interest accrued from short-term financing bond of the Company.
- (7) Mainly reason for decrease of other payables was that payment for restricted share repurchase was confirmed in the report period.
- (8) Mainly reason for increase of taxes and surcharges was increase of the sales tax for selling real estate by the subsidiary of the Company – Tianjin CSG development Co., Ltd. compared with the same period of last year.
- (9) Mainly reason for increase of general and administrative expenses was increase of employees' salary with the bas of shares payment which was caused by implementing incentive plan.

- (10) Mainly reason for increase of financial expenses was appreciation of RMB brought large amount of foreign exchange gain at the same period of last year.
- (11) Mainly reason for decrease of investment income was that the Company sold the equity of the subsidiary – Shenzhen CSG Electronics Co., Ltd. and got investment income last year.
- (12) Mainly reason for decrease of operating profit, total profit, income tax expenses and net profit was decrease of operating income and gross profit, increase of management expenses, and decrease of investment income and foreign exchange gain compared with the same period of last year.
- (13) Mainly reason for increase of non-operating income was increase of allowance received from government.
- (14) Mainly reason for decrease of non-operating expenses was that the subsidiary of the Company – Shenzhen CSG Electronics Co., Ltd. disposed assets and caused loss on discarding at the same period of last year.

## 2 Asset Depreciation Sheets

	31 December 2008	Current year additions	Current year reduction			30 June 2009
			Current year reverse	Current year write off	Subtotal	
<b>Provision for bad debt</b>	(9,170,728)	(2,154,495)	216,543	-	216,543	(11,108,680)
Accounts receivable	(4,828,682)	(1,794,611)	112,241	-	112,241	(6,511,052)
Other receivable	(4,342,046)	(359,884)	104,302	-	104,302	(4,597,628)
<b>Provision for declines in the value of inventories</b>	(44,442,135)	-	1,816,585	12,467,431	14,284,016	(30,158,119)
Manufacturing industry	(18,942,918)	-	922,428	7,953,206	8,875,634	(10,067,284)
Real estate	(25,499,217)	-	894,157	4,514,225	5,408,382	(20,090,835)
<b>Provision for impairment of long-term equity investments</b>	(444,997)	-	-	-	-	(444,997)
Long-term equity investments	(444,997)	-	-	-	-	(444,997)
<b>Provision for fixed asset impairment</b>	(227,032,992)	-	-	-	-	(227,032,992)
Machinery and equipment	(8,124,640)	-	-	-	-	(8,124,640)
Electronic equipment	(218,740,834)	-	-	-	-	(218,740,834)
Motor vehicles and others	(167,518)	-	-	-	-	(167,518)
	(281,090,852)	(2,154,495)	2,033,128	12,467,431	14,500,559	(268,744,788)

## VIII Documents for Reference

- i. Original of Semi-Annual Report with the signature of legal representative.
- ii. Financial statement with the signature and seal of the legal representative, CFO and manager of financial department.
- iii. Original of the documents and public notices disclosed on the newspapers designated by CSRC in the report period.
- iv. The article of the Company.

**Board of Directors of  
CSG Holding Co., Ltd.  
31 July 2009**