

CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2010



Chairman of the Board:

ZENG NAN

April 2010

I Important Notes

- i** The board of directors, the supervisory committee, all directors and supervisors and the senior executive of CSG Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no fictitious statements, serious misleading or important omissions information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.
- ii** The first quarter financial report of 2010 has not been audited by the public accountants.
- iii** Chairman of the Board and CEO of the Company Mr. Zeng Nan, CFO Mr. Luo Youming, and Principle of the Financial Department Mr. Huang Yanbin hereby confirm that the Financial Report of the First Quarter Report 2010 is true and complete.
- iv** This Report is prepared both in Chinese and in English. Should there be any differences in interpretation of the contents between the two versions, the Chinese version shall prevail.

II Company Profile

i Main Accounting Data and Financial Indexes

Unit: RMB

	31 March 2010	31 December 2009	Percentage of change
Total assets	11,242,950,059	10,913,350,017	3.02%
Total equity attributable to equity holders of the Company	5,627,849,171	5,315,523,161	5.88%
Capital	1,222,695,624	1,223,738,124	-0.09%
Total assets per share for equity holders of the Company	4.60	4.34	5.99%
	The 1 st quarter of 2010	The 1 st quarter of 2009	Percentage of change
Revenue	1,556,783,199	869,353,956	79.07%
Net profit attributable to equity holders of the Company	299,246,474	61,805,392	384.18%
Net cash flows from operating activities	204,265,631	241,731,965	-15.50%
Net cash flows from operating activities per share	0.17	0.20	-15%
Basic earnings per share	0.24	0.05	380%
Diluted earnings per share	0.24	0.05	380%
Weighted average return on equity	5.47%	1.35%	Increase 4.12 percentage points
Weighted average return on equity after extraordinary gains and losses	5.08%	1.14%	Increase 3.94 percentage points

Items of extraordinary gains and losses	Amount at the 31 March 2010 (from year-begin)
Gains and losses on disposal of non-current assets	7,977,563
Government subsidies recognized as gains and losses	6,078,200
Gains on disposal of available-for-sale financial assets	9,055,044
Net value of other non-operating expenses	1,024,580
Tax effects on extraordinary gains and losses	-2,343,098
Extraordinary gains and losses of minority interests	-783,238
Total	21,009,051

Explanations of extraordinary gains and losses:

None

ii Total number of shareholders and particulars about the shares held by the top ten unrestricted shareholders at the end of the report period.

Unit: Share

Total shareholders:	85,407 (Including: 50,027 shareholders of A-share and 35,380 shareholders of B-share)	
Particulars about the shares held by the top ten unrestricted shareholders		
Name of shareholder	Unrestricted shares held	Share type
Shenzhen International Holdings (SZ) Limited	48,535,470	A-share
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	48,411,578	A-share
China Northern Industries Corporation	44,216,432	A-share
China Construction Bank - Yinhua Core Value Select Stock Fund	32,416,171	A-share
Industrial and Commercial Bank of China - South Excellent Performance Growth Stock Investment Fund	16,871,245	A-share
Dreyfus Premier Investment Fds Inc.- Dreyfus Greater China Fd	16,135,248	B-share
China Construction Bank – Yinhua - Dow Jones China 88 Select Equity Fund.	14,515,345	A-share
Guotai Junan Securities (HongKong) Limited	13,436,601	B-share
China Construction Bank –Yinhua Wealth Theme Stock Fund	9,591,642	A-share
Bank of China –Yinhua Sustaining Growth Stock Fund	9,312,400	A-share

III Significant events

i Particulars and explanations about significant changes in main accounting statement and financial indexes

Applicable Non-applicable

Unit: RMB'0000					
	Note	31 March 2010	31 December 2009	Amount of change	Percentage of change
Accounts receivable	1	41,299	28,791	12,508	43%
Inventories	2	48,878	37,130	11,748	32%
Available-for-sale financial assets	3	-	753	-753	-100%
Construction in progress	4	81,599	63,198	18,401	29%
Employee benefits payable	5	4,962	11,881	-6,919	-58%
Taxes payable	6	5,034	7,204	-2,170	-30%
Interest payable	7	2,782	1,488	1,294	87%
Current portion of non-current liabilities	8	13,068	6,369	6,699	105%
Other liabilities	9	209	631	-422	-67%
	Note	The 1 st quarter of 2010	The 1 st quarter of 2009	Amount of change	Percentage of change
Revenue	10	155,678	86,935	68,743	79%
Cost of sales	11	99,293	63,854	35,439	56%
Asset impairment losses	12	224	-49	273	-
Non-operating income	13	1,650	372	1,278	344%
Income tax	14	6,118	435	5,683	1306%

Notes:

- The increase of accounts receivable was because the sales income of the group increased.
- The increase of inventories was because the group increased the materials reserves facing with the trend of uprising in price of raw materials. Meanwhile, the expansion of sales scale made the inventory scale increase.
- The decrease of available-for-sale financial assets was because the group sold its holding shares in the report period.
- The increase of construction in progress was because project construction of the group has been constructed in progress at year-begin in accordance with the plan in the report period.
- The decrease of employee benefits payable was mainly because the group paid the staff salaries in the report period, which were withdrawn in advance at the end of last year.
- The decrease of taxes payable was because the deductible input VAT enhanced for increase of purchase of the group and paid the relevant taxes in the report period.
- The increase of interest payable was mainly because the group withdrew the interests of short-term financing bonds in the report period.
- The increase of current portion of non-current liabilities was because the part of long-term loans in year-begin of the group were divided into the item.
- The decrease of other liabilities was because the sales compensation expense withdrawn by the group reduced.
- The increase of revenue was because the sale amount of the group increased in the report period and sales price of part products climbed over the same period of last year.
- The increase of cost of sales was because the operating scale expanded over the same period of last year.
- The increase of asset impairment losses was because withdrawal of bad debts losses in balance of account receivable increased at the end of the report period.
- The increase of non-operating income was because the gains on disposal of non-current assets and government subsidies recognized as gains in the report period increased.
- The increase of income tax was because profit before tax and tax burden in the report period increased over the same period of last year.

ii Analysis and explanation of significant events and their influence and solutions

Applicable Non-applicable

iii Implementations of commitments by the Company, shareholders and actual controller

Applicable Non-applicable

Item of Commitments	Promisee	Content of commitments	Implementation
Commitments for Share Merger Reform	the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	The Company has implemented share merger reform in May 2006. Till June 2008, the share of the original non-tradable shareholders which holding over 5% total shares of the Company had all released. Therein, the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited (with former name of 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.	By the end of the report period, the original non-tradable shareholders of the Company have strictly carried out their promises.
Commitments for share restricted trade	-	-	-
Commitments made in Acquisition Report or Reports on Change in Interests	-	-	-
Commitments made in Material Assets Reorganization	-	-	-
Commitments made in issuing	China Pingan Trust & Investment Co., Ltd and Citic Securities Co., Ltd. holding over 5% shares of the Company	The shares subscribed by private issue in 2007 are forbidden to transfer in 36 months since the last day of private issue.	By the end of the report period, they have strictly carried out their promises.
Other commitments (including additional commitments)	-	-	-

iv Warning and explanation on forecast loss in accumulative net profit from the year begin to the end of next report period, or any significant changes occurred in accumulative net profit comparing with the same period in last year.

Applicable Non-applicable

v Other significant events.

(i) Particulars about securities investment

Applicable Non-applicable

(ii) Reception of investigation, communication and interview in the report period

Date	Place	Method	Investor
2010.1.5	Conference room	Spot investigation	Polunin Capital Partners Limited
2010.1.7	Conference room	Spot investigation	China Southern Fund Management Co., Ltd. Harvest Fund Management Co., Ltd. China International Fund Management Co., Ltd. Guojin General Fund Management Co., Ltd. (Preparatory) Lion Fund Management Co., Ltd. Fortune SGAM Fund Management Co., Ltd. Shenzhen Southern Huijin Investment Management Co., Ltd. Huatai Asset Management Company Ltd.
2010.1.20	Conference room	Spot investigation	Beijing Gao Hua Securities Company Limited Guosen Securities Co., Ltd. Fullgoal Fund Management Co., Ltd. China Asset Management Co., Ltd. Chilton Investment Company (HK) Limited
2010.2.4	Conference room	Spot investigation	China Post & Capital Fund Management Co., Ltd. ICBC Credit Suisse Asset Management Co. Ltd.
Contents discussed and materials supplied			Introduction the disclosed information about operation and production of the Company.

(iii) Particulars about the explanations on other significant events

Applicable Non-applicable

(a) Proceeding of option incentive

According as Restricted A Shares Incentive Plan (hereinafter referred to Incentive Plan) approved by Shareholders' General Meeting, the Company issued 49.14 million restricted A-shares through private offering in total to 244 specific employees privately in July 2008, at price of RMB 8.58 per share. The raised fund is RMB 421,621,200.

Because the achievement index in 2008 did not satisfied unlocking conditions of the restricted shares and some former incentive staffs had resigned, the Company bought back and wrote off the total 14,407,500 restricted A-shares respectively on 18 June 2009 and 20 January 2010.

On 4 December 2009, the Company held the 12th meeting of the 5th Board of Directors. The meeting decided to buy back and write off the total 450,000 restricted A shares (all has been lockup) of 3 resigned incentive staffs with the price of RMB 8.48 per share.

On 26 March 2010, the Company held the 13th meeting of the 5th Board of Directors. The meeting decided to buy back and write off the total 450,000 restricted A shares (all has been lockup) of 2 resigned incentive staffs with the price of RMB 8.48 per share.

Details of the aforementioned could be found in relevant notices on China Securities Journal, Securities Times, Hong Kong Wen Wei Po and Juchao website (www.cninfo.com.cn) dated 14 July 2008, 18 June 2009 and 9 December 2009, and relevant notices on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao website (www.cninfo.com.cn) dated 22 January 2010 and 30 March 2010.

(b) In the report period, it is never happen that the Company provide capital for controlling shareholders or related parties, and provide external guarantee disobeying regulations.

(c) In the report period, there were no shareholders with over 30% shares proposed or implemented the plan of share adding.

(d) In the report period, the Company has not signed significant contract.

vi Particulars about derivatives investment

Applicable Non-applicable

(i) Particulars about derivatives investment held at the end of report period

Applicable Non-applicable

IV Financial Statement

i Balance Sheets

Prepared by: CSG Holding Co., Ltd.
RMB

January to March in 2010

Unit:

Item	31 March 2010		1 January 2009	
	Consolidated	Company	Consolidated	Company
Current assets				
Cash at bank and on hand	628,065,606	183,316,276	653,555,310	370,558,509
Notes receivable	242,546,676		247,083,387	
Accounts receivable	412,985,491		287,912,855	
Advances to suppliers	85,849,363	340,000	101,019,512	300,000
Other receivables	17,958,782	2,065,437,543	15,377,152	2,074,373,917
Inventories	488,776,502		371,296,246	
Other current assets	17,500,000		17,500,000	
Total current assets	1,893,682,420	2,249,093,819	1,693,744,462	2,445,232,426
Non-current assets				
Available-for-sale financial assets			7,528,589	7,528,589
Long-term receivables		573,832,934		571,250,420
Long-term equity investments	27,200,000	3,203,451,610	27,200,000	3,037,789,922
Fixed assets	8,013,898,507	18,203,958	8,054,820,901	18,831,791
Construction in progress	815,990,997		631,983,774	
Intangible assets	388,149,197	5,650,355	392,040,050	5,766,855
Research and development expenses	3,554,603			
Goodwill	18,404,380		18,404,380	
Long-term prepaid expense	133,487		162,487	
Deferred tax assets	81,936,468		87,465,374	
Total non-current assets	9,349,267,639	3,801,138,857	9,219,605,555	3,641,167,577
TOTAL ASSETS	11,242,950,059	6,050,232,676	10,913,350,017	6,086,400,003
Current liabilities				
Short-term borrowings	2,527,860,050	1,714,298,600	2,481,152,687	1,714,462,400
Notes payable	325,746,599		298,120,810	
Accounts payable	917,586,163		988,710,853	

Advances from customers	116,930,286		152,085,476	
Employee benefits payable	49,617,612	10,111,898	118,810,114	49,393,197
Taxes payable	50,341,940	662,759	72,035,028	1,226,076
Interest payable	27,821,545	3,321,900	14,880,351	1,849,500
Dividends payable	687,627	687,627	687,627	687,627
Other payables	115,840,325	106,436,289	117,866,771	112,637,801
Current portion of non-current liabilities	130,682,517		63,694,062	
Other liabilities	2,094,071		6,310,532	
Total current liabilities	4,265,208,735	1,835,519,073	4,314,354,311	1,880,256,601
Non-current liabilities				
Long-term borrowings	941,838,186		908,309,884	
Special payables	887,504		1,275,002	
Deferred tax liabilities	10,333,225		10,333,313	
Other non-current liabilities	66,887,850		68,004,475	
Total non-current liabilities	1,019,946,765		987,922,674	
Total liabilities	5,285,155,500	1,835,519,073	5,302,276,985	1,880,256,601
Owners' equity				
Paid-in capital	1,222,695,624	1,222,695,624	1,223,738,124	1,223,738,124
Capital surplus	2,140,138,837	2,183,859,164	2,127,613,867	2,170,406,108
Less: Treasury shares	525,000	525,000	1,492,500	1,492,500
Surplus reserve	437,054,602	437,054,602	437,054,602	437,054,602
Undistributed profits	1,826,155,329	371,629,213	1,526,908,861	376,437,068
Difference on translation of foreign currency financial statements	2,329,779		1,700,207	
Total equity attributable to equity holders of the Company	5,627,849,171	4,214,713,603	5,315,523,161	4,206,143,402
Minority interests	329,945,388		295,549,871	
Total owners' equity	5,957,794,559	4,214,713,603	5,611,073,032	4,206,143,402
TOTAL LIABILITIES AND OWNER'S EQUITY	11,242,950,059	6,050,232,676	10,913,350,017	6,086,400,003

ii Income Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2010

Unit: RMB

Items	January to March in 2010		January to March in 2009	
	Consolidated	Company	Consolidated	Company
Total revenue	1,556,783,199		869,353,956	
Incl. Revenue	1,556,783,199		869,353,956	
Total cost	1,187,023,145	14,065,694	805,798,785	12,890,126
Less: Cost of sales	992,931,608		638,540,611	
Taxes and surcharges	1,171,124		1,346,325	
Selling and distribution expenses	57,022,695		48,408,259	
General and administrative expenses	105,758,064	14,910,824	83,263,527	10,138,177
Financial expenses	27,898,915	-845,130	34,733,610	2,751,949
Asset impairment losses	2,240,739		-493,547	
Add: Investment income	9,055,044	9,055,044	6,939,570	12,384,736
Operating profit	378,815,098	-5,010,650	70,494,741	-505,390
Add: Non-operating income	16,503,390	220,000	3,717,478	2,600
Less: Non-operating expenses	1,423,047	17,205	414,254	1,244
Including: Loss on disposal of non-current assets	517,781	1,725	29,158	1,244
Total profit	393,895,441	-4,807,855	73,797,965	-504,034
Less: Income tax expenses	61,180,815		4,349,251	
Net profit	332,714,626	-4,807,855	69,448,714	-504,034
Attributable to equity holders of the Company	299,246,474	-4,807,855	61,805,392	-504,034
Minority interests	33,468,152		7,643,322	
Earnings per share				
- Basic	0.24		0.05	
- Diluted	0.24		0.05	
Other comprehensive income	-5,554,659	-6,184,231	-156,649	-635,565
Total comprehensive income	327,159,967	-10,992,086	69,292,065	-1,139,599
Total comprehensive income attributable to equity holders of the Company	293,691,815	-10,992,086	61,648,743	-1,139,599
Total comprehensive income attributable to minority interests	33,468,152		7,643,322	

iii Cash Flow Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2010

Unit: RMB

Items	January to March in 2010		January to March in 2009	
	Consolidated	Company	Consolidated	Company
Cash flows from operating activities				
Cash received from sales of goods or rendering of services	1,619,274,168		972,600,292	
Refund of taxes and surcharges	2,558,845		7,213,370	
Cash received relating to other operating activities	10,615,046	961,796	27,297,673	131,876,866
Sub-total of cash inflows	1,632,448,059	961,796	1,007,111,335	131,876,866
Cash paid for goods and services	948,468,668		521,224,183	
Cash paid to and on behalf of employees	194,094,597	57,401,147	94,697,156	4,233,501
Payments of taxes and surcharges	183,788,038	49,338	94,769,818	56,700
Cash paid relating to other operating activities	101,831,125	1,331,102	54,688,213	92,261,651
Sub-total of cash outflows	1,428,182,428	58,781,587	765,379,370	96,551,852
Net cash flows from operating activities	204,265,631	-57,819,791	241,731,965	35,325,014
Cash flows from investing activities				
Cash received from disposal of investments	10,401,160	10,401,160	7,658,227	7,658,227
Cash received from returns on investments				7,588,978
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,973,260		1,276	
Cash received relating to other investing activities	16,373,565	21,968,600	579,042	577,373
Sub-total of cash inflows	33,747,985	32,369,760	8,238,545	15,824,578
Cash paid to acquire fixed assets, intangible assets and other long-term assets	370,451,384	290,844	311,539,183	12,331
Cash paid to acquire investments		152,400,000		
Cash paid relating to other investing activities	13,017,160		492,711	
Sub-total of cash outflows	383,468,544	152,690,844	312,031,894	12,331
Net cash flows from investing activities	-349,720,559	-120,321,084	-303,793,349	15,812,247
Cash flows from financing activities				
Cash received from capital contributions				
Including: Cash received from capital contributions by minority shareholders of a subsidiaries				
Cash received from borrowings	251,417,394		780,477,916	233,000,000
Cash received from other financing activities	2,816,631		4,210,000	4,210,000
Sub-total of cash inflows	254,234,025		784,687,916	237,210,000
Cash repayments of borrowings	104,193,277		683,369,623	262,935,000
Cash payments for interest expenses and distribution of dividends or profits	18,210,538	258,967	39,183,230	6,469,257
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries				
Cash payments relating to other financing activities	8,840,400	8,840,400	4,241,103	
Sub-total of cash outflows	131,244,215	9,099,367	726,793,956	269,404,257
Net cash flows from financing activities	122,989,810	-9,099,367	57,893,960	-32,194,257
Effect of foreign exchange rate changes on cash and cash equivalents	-207,956	-1,991	-106,317	214
Net increase/(decrease) in cash and cash equivalents	-22,673,074	-187,242,233	-4,273,741	18,943,218
Add: Cash and cash equivalents at beginning of year	635,618,163	370,558,509	394,923,631	168,142,506
Cash and cash equivalents at end of year	612,945,089	183,316,276	390,649,890	187,085,724

iv Audit report

Auditors' opinions: Not been audited.

**Board of Directors of
CSG Holding Co., Ltd.
16 April 2010**