

CSG HOLDING CO., LTD.

**THE FIRST QUARTER REPORT 2009**



Chairman of the Board:

ZENG NAN

April 2009

## 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** No director, supervisor and senior executive of the Company stated any objection for the correctness, accuracy and completeness of the contents in this report.
- iii** All directors attended the meeting.
- iv** The first quarter financial report of 2009 has not been audited by the public accountants.
- v** 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 2009 is true and complete.
- vi** 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 2009	31 December 2008	Percentage of change
Total assets	10,746,460,636	10,376,061,066	3.57%
Total equity attributable to equity holders of the Company	4,622,564,792	4,544,606,539	1.72%
Capital	1,237,103,124	1,237,103,124	0
Total assets per share for equity holders of the Company	3.74	3.67	1.91%
	The 1 <sup>st</sup> quarter of 2009	The 1 <sup>st</sup> quarter of 2008	Percentage of change
Revenue	869,353,956	977,195,129	-11.04%
Net profit attributable to equity holders of the Company	61,805,392	197,362,779	-68.68%
Net cash flows from operating activities	241,731,965	105,899,469	128.27%
Net cash flows from operating activities per share	0.20	0.09	122.22%
Basic earnings per share	0.05	0.17	-70.59%
Diluted earnings per share	0.05	0.17	-70.59%
Return on equity	1.34%	4.70%	Decrease 3.36 percentage points
Return on equity after extraordinary gains and losses	1.13%	3.64%	Decrease 2.51 percentage points

Items of extraordinary gains and losses	Amount at the 31 March 2009 (from year-begin)
Gains on disposal of non-current assets (loss)	-29,158
Gains on disposal of available-for-sale financial assets	6,939,570
Net value of other non-operating expenses	3,332,382
Tax effects on extraordinary gains and losses	-279,964
Extraordinary gains and losses of minority interests	-573,540
<b>Total</b>	<b>9,389,290</b>

### Explanations of extraordinary gains and losses:

1. "Gains on disposal of available-for-sale financial assets" was the net income obtained on selling the A-shares stocks held by the Company.
2. "Net value of other non-operating expenses" was the financial subsidy from the local government obtained by the subordinate subsidiaries.

### 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:	77,361 (Including: 41,807 shareholders of A-share and 35,554 shareholders of B-share)	
Particulars about the shares held by the top ten unrestricted shareholders		
Name of shareholder	Unrestricted shares held	Share type
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	53,060,603	A-share
Yiwan Industrial Development (Shenzhen) Co., Ltd.	50,773,156	A-share
China Northern Industries Corporation	44,784,201	A-share
Guotai Junan Securities (Hong Kong) Limited	38,775,052	B-share
Bank of China - Harvest Theme Selected Mixed Stock Fund	34,964,589	A-share
Industrial and Commercial Bank of China - China Universal Balanced Growth Stock Fund	14,652,925	A-share
Industrial and Commercial Bank of China - China Universal Growth Focus Stock Fund	9,499,920	A-share
Industrial and Commercial Bank of China - Guangfa Dapan Growth Mixed Stock Fund	8,800,000	A-share
Agricultural Bank of China - Baoying Strategy Growth Stock Fund	8,799,954	A-share
Agricultural Bank of China - Changsheng Tongde Theme Growth Stock Fund	8,366,847	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 2009	31 December 2008	Amount of change	Percentage of change
Other receivables	1	7,782	3,496	4,286	123%
Notes payable	2	40,492	28,967	11,525	40%
Employee benefits payable	3	2,171	4,001	-1,830	-46%
Taxes payable	4	1,984	5,600	-3,616	-65%
Interest payable	5	3,378	2,096	1,282	61%
	Note	The 1 <sup>st</sup> quarter of 2009	The 1 <sup>st</sup> quarter of 2008	Amount of change	Percentage of change
Taxes and surcharges	6	135	91	44	48%
Financial expenses – net	7	3,473	12	3,461	28842%
Asset impairment losses	8	-49	-398	349	-
Investment income	9	694	4,443	-3,749	-84%
Non-operating expenses	10	41	333	-292	-88%
Income tax expenses	11	435	2,109	-1,674	-79%
Net profit	11	6,945	22,602	-15,657	-69%
Net cash flows from operating activities	12	24,173	10,590	13,583	128%
Cash received from disposal of investments	13	766	25,255	-24,489	-97%
Cash paid to acquire fixed assets, intangible assets and other long-term assets	14	31,154	57,972	-26,818	-46%
Net cash flows from financing activities	15	5,789	3,544	2,245	63%

Notes:

- The receivable of value added tax withdrew back from domestic-made equipments in subordinate company of the Company increased.
- Amount of payment for goods with bank acceptance notes increased.
- Bonus for employees accrued at the end of last year has been paid in the report period.
- According to Provisional Regulations on VAT promulgated in November 2008, VAT for fixed assets obtained by the Company could be offset in the report period, and VAT payable decreased.
- The Company withdrew interest payable of long-term loans and short-term financing bonds.
- The subordinate property company of the Company sold part of inventories so that business tax increased.
- Exchange income decreased in the report period.
- The subordinate property company of the Company switched back part of provision for stock depreciation in the same period of last year.
- The Company sold equity of the wholly-owned subsidiary company “Shenzhen CSG Electronics Co., Ltd.” in the same period of last year, which brought investment income.
- The subsidiary company “Shenzhen CSG Electronics Co., Ltd.” disposed part of assets in the same period of last year, which brought loss.
- the reasons is following:
  - In the same period of last year, the Company sold the equities of its wholly-owned subsidiary company “Shenzhen CSG Electronics Co., Ltd.” and got the investment income.
  - Influenced by the financial crisis, the demand of market declined. The earning capacities of float glass and fine glass enterprises of the Company declined.

(c) In the report period, the expense on employee remuneration relevant to implementing the Restricted A Share Incentive Plan was confirmed.
(d) Exchange income decreased compared with the same period of last year.
(e) Decrease of operating profit brought the decrease of income tax in the report period.
12. Amount of payment for materials with notes increased in the report period.
13. The Company received payment for transfer equity of Shenzhen CSG Automobile Glass Co., Ltd. and Shenzhen CSG Electronics Co., Ltd. in the same period of last year.
14. The cash paid for purchasing fixed assets decreased.
15. The loan of the Company increased.

## 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	Content of commitments	Implementation
Commitments for Share Merger Reform	-	-
Commitments of restricted share	-	-
Commitments made in Acquisition Report or Reports on Change in Interests	-	-
Commitments made in Material Assets Reorganization	-	-
Commitments made in issuing	China Ping'an Trust & Investment Co., Ltd. and Citics Securities Co., Ltd which held above 5% of the Company's shares made commitments: the shares subscribed in private placement shares of the Company in 2007 could not be transferred within 36 months since the end date of non-public issuance.	By the end of the report period, the shareholders of the Company have strictly carried out their promises.
Other commitments (including additional commitments)	Additional commitments of the original non-tradable shareholders for Share Merger Reform: The original non-tradable shareholder Yiwang 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 planned to sell A-shares of CSG amounted above 5% of the CSG group's total shares within six months from 5 June 2008, 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 relevant regulations of the 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.

## 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

Prediction of performances	Decreased greatly compared with the same period of last year.			
	The 1 <sup>st</sup> half year of 2009	The 1 <sup>st</sup> half year of 2008	Change	
Estimated amount of accumulative net profit (RMB'0000)	18,000	40,985	Decrease	-56%
Basic earnings per share (RMB/Share)	0.15	0.35	Decrease	-57%
Explanations on Prediction of performances	<p>Reasons: (a) In the same period of last year, the Company sold the equities of its wholly-owned subsidiary company "Shenzhen CSG Electronics Co., Ltd." and got the investment income. (b) Influenced by the financial crisis, the demand of market declined. The earning capacities of float glass and fine glass enterprises of the Company declined. (c) In the report period, the expense on employee remuneration relevant to implementing the Restricted A Share Incentive Plan was confirmed. (d) Exchange income decreased compared with the same period of last year.</p> <p>The aforementioned prediction was the initial estimation based on the performances of the 1<sup>st</sup> quarter by the Financial Department of the Company. The actual profit for the 1<sup>st</sup> half year of 2009 is with the data in the Semi-annual Report 2009. The investors' attention is requested.</p>			

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
2009.2.19	Conference room	Spot investigation	United Securities Co., Ltd. Great Wall Securities Co., Ltd.
2009.2.20	Conference room	Spot investigation	Guotai Junan Securities Co., Ltd. Everbright Securities Co., Ltd. First Capital Securities Co., Ltd.
2009.2.25	Conference room	Spot investigation	GF Securities Co., Ltd. GF Fund Management Co., Ltd. Huafu Fund Management Co., Ltd.
2009.3.3	Conference room	Spot investigation	Nikko Asset Management Co., Ltd.
Contents discussed and materials supplied			Introduction the disclosed information about operation and production of the Company. The material offered is the 2006 Annual Report.

(iii) Particulars about the explanations on other significant events

Applicable       Non-applicable

<p>(a) Proceeding of option incentive</p> <p>According to Restricted A Share Incentive Plan (hereinafter referred to Incentive Plan), the Company actually issued 49,140,000 restricted A shares to 244 specific employees privately, at price of RMB 8.58 per share. And raised capital totally amounting to RMB 421,621,200 actually.</p> <p>Till 30 November 2008, the following 5 original incentive staffs Huang Haidong, Peng Liqun, Jiang Zhenan, Yang Wenzhong and Wang Tong had resigned. According to relevant regulations of Incentive Plan, the Company held the 6<sup>th</sup></p>
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meeting of the 5<sup>th</sup> Board of Directors on 24 December 2008 and decided to buy back and cancel totally 890,000 A restricted shares (all has been lockup) of the aforementioned 5 persons with the granted 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 cancel the 1<sup>st</sup> phase of totally 12,062,500 A restricted shares which were planned to unlock in 2009 from incentive staffs with the price of RMB 8.58 per share.

During January to March 2009, the following 8 original incentive staffs Chen Jinlong, Gui Feiyan, Li linglong, Luo Li, Wang Lei, Zhang Jian, Zhang Sijin and Zhang Xiaodong had resigned. According to relevant 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 cancel totally 412,500 A restricted shares (all has been lockup) of the aforementioned 8 persons with the granted price of RMB 8.58 per share.

Details 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 17 July 2008, 25 December 2008 and 31 March 2009.

- (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.

## IV Financial Statement

### i Balance Sheets

Prepared by: CSG Holding Co., Ltd.

31 March 2009

Unit: RMB

Items	31 March 2009		1 January 2009	
	Consolidated	Company	Consolidated	Company
Current assets				
Cash at bank and on hand	1,034,927,482	797,975,724	1,033,779,912	783,242,506
Notes receivable	101,983,380	-	116,042,491	-
Accounts receivable	286,246,639	-	236,576,669	-
Advances to suppliers	58,662,460	3,333,858	52,940,729	3,257,858
Dividends receivable	-	112,861,740	-	120,450,718
Other receivables	77,820,415	760,189,817	34,964,981	777,038,513
Inventories	328,856,189	-	325,701,374	-
Total current assets	1,888,496,565	1,674,361,139	1,800,006,156	1,683,989,595
Non-current assets				
Available-for-sale financial assets	11,573,816	11,573,816	12,930,101	12,930,101
Long-term receivables	-	1,126,747,126	-	1,143,041,204
Long-term equity investments	27,200,000	2,806,368,665	27,200,000	2,791,009,616
Fixed assets	6,388,952,151	18,520,040	5,543,400,908	19,265,605
Construction in progress	2,054,520,816	-	2,620,093,574	-
Intangible assets	306,073,173	1,825,109	307,948,344	1,841,813
Goodwill	3,039,946	-	3,039,946	-

Deferred tax assets	66,604,169	-	61,442,037	-
Total non-current assets	8,857,964,071	3,965,034,756	8,576,054,910	3,968,088,339
Total assets	10,746,460,636	5,639,395,895	10,376,061,066	5,652,077,934
Current liabilities				
Short-term borrowings	2,813,993,107	1,573,663,900	2,797,063,550	1,603,580,700
Notes payable	404,918,309	-	289,673,653	-
Accounts payable	848,630,414	-	743,432,885	-
Advances from customers	101,596,953	-	94,964,995	-
Employee benefits payable	21,708,580	344,017	40,005,228	2,710,000
Taxes payable	19,843,850	62,964	56,000,228	78,062
Interest payable	33,783,615	8,025,567	20,962,915	4,754,642
Dividends payable	3,212,152	3,212,152	3,212,152	3,212,152
Other payables	230,009,309	230,260,345	228,839,483	230,117,203
Current portion of non-current liabilities	83,980,760	-	83,968,751	-
Other non-current assets	10,837,003	-	10,914,222	-
Total current liabilities	4,572,514,052	1,815,568,945	4,369,038,062	1,844,452,759
Non-current liabilities				
Long-term borrowings	1,222,385,214	-	1,142,128,258	-
Special payables	2,100,000	-	2,100,000	-
Deferred tax liabilities	4,810,791	-	4,777,606	-
Other non-current liabilities	45,000,000	-	45,000,000	-
Total non-current liabilities	1,274,296,005	-	1,194,005,864	-
Total liabilities	5,846,810,057	1,815,568,945	5,563,043,926	1,844,452,759
Owners' equity				
Paid-in capital	1,237,103,124	1,237,103,124	1,237,103,124	1,237,103,124
Capital surplus	2,083,848,341	2,124,869,818	2,067,761,896	2,107,751,509
Less: Treasury stock	13,365,000	13,365,000	12,952,500	12,952,500
Surplus reserve	391,040,358	391,040,358	391,040,358	391,040,358
Undistributed profits	925,157,916	84,178,650	863,352,524	84,682,684
Difference on translation of foreign currency financial statements	-1,219,947	-	-1,698,863	-
Total equity attributable to equity holders of the Company	4,622,564,792	3,823,826,950	4,544,606,539	3,807,625,175
Minority interest	277,085,787	-	268,410,601	-
Total owners' equity	4,899,650,579	3,823,826,950	4,813,017,140	3,807,625,175
Total liabilities and owners' equity	10,746,460,636	5,639,395,895	10,376,061,066	5,652,077,934

## ii Income Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2009

Unit: RMB

Items	January to March in 2009		January to March in 2008	
	Consolidated	Company	Consolidated	Company
I. Total revenue	869,353,956	-	977,195,129	-
Incl. Revenue	869,353,956	-	977,195,129	-
II. Total cost	805,798,785	12,890,126	775,108,110	3,389,296
Incl. Cost of sales	638,540,611	-	659,316,598	-
Taxes and surcharges	1,346,325	-	912,370	-
Selling and distribution expenses	48,408,259	-	51,123,591	-
General and administrative expenses	83,263,527	10,138,177	67,615,633	7,040,520
Financial expenses – net	34,733,610	2,751,949	115,611	-3,651,224
Asset impairment losses	-493,547	-	-3,975,693	-
Add: Investment income	6,939,570	12,384,736	44,434,814	329,026,673
III. Operating profit (“-“ for loss)	70,494,741	-505,390	246,521,833	325,637,377
Add: Non-operating income	3,717,478	2,600	3,914,490	1,189,914
Less: Non-operating expenses	414,254	1,244	3,328,190	-
Including: Loss on disposal of non-current assets	29,158	1,244	3,328,190	-
IV. Total profit (“-“ for loss)	73,797,965	-504,034	247,108,133	326,827,291
Less: Income tax expenses	4,349,251	-	21,088,822	-
V. Net profit (“-“ for net loss)	69,448,714	-504,034	226,019,311	326,827,291
Attributable to equity holders of the Company	61,805,392		197,362,779	
Minority interest	7,643,322		28,656,532	
VI. Earnings per share:				
i. Basic	0.05		0.17	
ii. Diluted	0.05		0.17	

## iii Cash Flow Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2009

Unit: RMB

Items	January to March in 2009		January to March in 2008	
	Consolidated	Company	Consolidated	Company
<b>I. Cash flows from operating activities</b>				
Cash received from sales of goods or rendering of services	972,600,292	-	1,065,071,219	-
Refund of taxes and surcharges	7,213,370	-	6,464,393	-
Cash received relating to other operating activities	27,297,673	131,876,866	37,255,407	245,330,145
Sub-total of cash inflows	1,007,111,335	131,876,866	1,108,791,019	245,330,145
Cash paid for goods and services	521,224,183	-	760,040,347	-
Cash paid to and on behalf of employees	94,697,156	4,233,501	110,525,287	16,472,404
Payments of taxes and surcharges	94,769,818	56,700	78,847,984	75,937
Cash paid relating to other operating activities	54,688,213	92,261,651	53,477,932	246,504,477
Sub-total of cash outflows	765,379,370	96,551,852	1,002,891,550	263,052,818
Net Cash flows from operating activities	241,731,965	35,325,014	105,899,469	-17,722,673
<b>II. Cash flows from investing activities</b>				
Cash received from disposal of investments	7,658,227	7,658,227	252,548,569	264,496,558
Cash received from returns on investments	-	7,588,978	-	1,263,981
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,276	-	178,500	-
Cash received relating to other investing activities	579,042	577,373	7,284,421	160,000,000
Sub-total of cash inflows	8,238,545	15,824,578	260,011,490	425,760,539
Cash paid to acquire fixed assets, intangible assets and other long-term assets	311,539,183	12,331	579,715,789	224,559
Cash paid to acquire investments	-	-	23,000,000	254,135,574
Cash paid relating to other investing activities	492,711	-	85,828,625	-
Sub-total of cash outflows	312,031,894	12,331	688,544,414	254,360,133
Net cash flows from investing activities	-303,793,349	15,812,247	-428,532,924	171,400,406
<b>III. Cash flows from financing activities</b>				
Cash received from capital contributions	-	-	5,217,400	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries	-	-	5,217,400	-
Cash received from borrowings	780,477,916	233,000,000	2,008,742,789	792,388,440
Cash received relating to other financing activities	4,210,000	4,210,000	-	-
Subtotal of cash inflows	784,687,916	237,210,000	2,013,960,189	792,388,440
Cash repayments of borrowings	683,369,623	262,935,000	1,681,899,221	1,071,040,740
Cash payments for interest expenses and distribution of dividends or profits	39,183,230	6,469,257	35,377,422	5,822,339
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	-	-	-	-
Cash payments relating to other financing activities	4,241,103	-	261,240,000	-
Subtotal of cash outflows	726,793,956	269,404,257	1,978,516,643	1,076,863,079
Net cash flows from financing activities	57,893,960	-32,194,257	35,443,546	-284,474,639
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>	-106,317	214	-2,981,892	-16
<b>V. Net increase in cash and cash equivalents</b>	-4,273,741	18,943,218	-290,171,801	-130,796,922
Add: Cash and cash equivalents at beginning of year	394,923,631	168,142,506	1,259,606,553	607,076,960
<b>VI. Cash and cash equivalents at the end of term</b>	390,649,890	187,085,724	969,434,752	476,280,038

**iv** Audit report

Auditors' opinions: Not been audited.

**Board of Directors of  
CSG Holding Co., Ltd.  
20 April 2009**