

Stock Code: 000012

Short Form of Stock: Southern Glass A

Notice No. 2008-006

CSG HOLDING CO., LTD.

## 2007 Annual Report Summary



**Chairman of the Board:**

**ZENG NAN**

**March, 2008**

## CSG HOLDING CO., LTD.

### 2007 Annual Report Summary

#### §1. Important Notice

1.1 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. The 2007 annual report summary is abstracted from the full text of annual report. And the investors are suggested to read the full text of the Annual Report to understand more details.

1.2 No director, supervisors and senior executives stated that they couldn't ensure the correctness, accuracy and completeness of the contents of the Annual Report or have objection for this report.

#### 1.3

Name of absence director	Reason of absence	Name of assignee
Zhang liqing	In business leave	Li Jingqi

1.4 PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd issued standard unqualified Auditor's Report for the 2007 Financial Report of Company.

1.5 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 2007 Annual Report is true and complete.

#### §2. Company Profile

##### 2.1 Basic information

Short form of stock	Southern Glass A, Southern Glass B
Stock code	000012, 200012
Listed stock exchange	Shenzhen Stock Exchange
Registered address	CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, China (P.R.C)
Post code of registered address	518067
Office address:	CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, China (P.R.C)
Post code of office address:	518067
Internet web site of the Company	www.csgholding.com
E-mail	csg@csgholding.com

## 2.2 Contact person and method

	Secretary of the Board	Securities Affairs Representative
Name	Wu Guobin	Li Tao
Contact address	CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, China (P.R.C)	CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, China (P.R.C)
Telephone	(86) 755-26860666	(86) 755-26860666
Fax	(86) 755-26692755	(86) 755-26692755
E-mail	securities@csgholding.com	securities@csgholding.com

## §3. Summary of Accounting Data and Financial Indexes

### 3.1 Major accounting data

Unit: RMB

	2007	2006		Percentage change between 2007 and 2006	2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Revenue	4,187,962,628	2,951,599,066	2,964,816,212	41.26%	2,302,016,737	2,305,489,599
Total profit	634,467,082	444,480,832	449,144,771	41.26%	405,684,768	405,740,592
Net profit attributable to equity holders of the Company	431,484,803	332,111,553	335,110,814	28.76%	316,411,545	318,659,665
Net profit attributable to equity holders of the Company after extraordinary gains and losses	412,588,587	328,227,833	332,344,206	24.14%	304,762,196	307,010,316
Net cash flows from operating activities	1,102,315,515	806,665,961	800,792,553	37.65%	923,609,014	923,609,014
	31 Dec 2007	31 Dec 2006		Percentage change on 31 Dec 2007 compare to 31 Dec 2006	31 Dec 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets	8,452,981,947	6,772,237,421	6,776,321,412	24.74%	5,523,323,511	5,524,489,214
Total equity attributable to equity holders of the Company	4,007,014,118	2,628,344,891	2,632,509,855	52.21%	2,475,927,247	2,477,092,950

### 3.2 Major financial indices

Unit: RMB

	2007	2006		Percentage change between 2007 and 2006	2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Basic earnings per share	0.41	0.33	0.33	24.24%	0.31	0.31
Diluted earnings per share	0.41	0.33	0.33	24.24%	0.31	0.31
Basic earnings per share after extraordinary gains and losses	0.39	0.32	0.33	18.18%	0.30	0.30
Fully diluted return on equity (%)	10.77%	12.64%	12.73%	Decrease 1.96% points	12.78%	12.86%
Weighted average return on equity (%)	14.50%	13.01%	13.12%	Increase 1.38% points	13.33%	13.43%
Fully diluted return on equity after extraordinary gains and losses (%)	10.30%	12.49%	12.62%	Decrease 2.32% points	12.31%	12.39%
Weighted average return on equity after extraordinary gains and losses (%)	13.86%	12.86%	13.01%	Increase 0.85% points	12.84%	12.93%
Net cash flows from operating activities per share	0.93	0.79	0.79	17.72%	0.91	0.91
	31 Dec 2007	31 Dec 2006		Percentage change on 31 Dec 2007 compared to 31 Dec 2006	31 Dec 2005	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets per share for equity holders of the Company	3.37	2.59	2.59	30.12%	2.44	2.44

#### Items of extraordinary gains and losses

✓ Applicable      □ Inapplicable

Unit: RMB

Items of extraordinary gains and losses	Amount
losses on disposal of non-current assets	-19,546,234
Gain on disposal of subsidiary	29,280,123
Net value of other non-operating expenses	11,029,851
Tax effects on extraordinary gains and losses	428,814
Extraordinary gains and losses of minority interests	-2,296,338
Total	18,896,216

Items measured at fair value

☒ Applicable      ☐ Inapplicable

Unit: RMB

Name	Balance at 1 Jan. 2007	Balance at 31 Dec. 2007	Changes in the report period	Amount of current profit influenced
Available-for-sale financial assets	4,878,118	43,626,441	38,748,323	—
Total	4,878,118	43,626,441	38,748,323	—

### 3.3 Differences between CAS and IAS

☒ Applicable      ☐ Inapplicable

Unit: RMB

	CAS	IAS
Net profit	431,484,803	430,921,615
Net assets	4,007,014,118	4,003,974,172
Explanations on differences	The influence on net profit brought by acquisition of minority interest amounted to RMB 563,188; the influence on net asset brought by adjustment in goodwill amounted to RMB 3,039,946.	

## §4. Changes in Share Capital and Particulars about Shareholders

### 4.1 Changes in share capital

Unit: Share

	Before the change		Increase/Decrease in the period (+/-)			After the change	
	Amount	Proportion	New share issued	Other	Sub-total	Amount	Proportion
I. Restricted shares	349,208,968	34.39%	172,500,000	-168,720,982	3,779,018	352,987,986	29.71%
1) State-owned shares	0	0%	0	0	0	0	0%
2) State-owned legal person's shares	112,837,024	11.11%	80,000,000	-50,786,075	29,213,925	142,050,949	11.96%
3) Other domestic shares	236,371,944	23.28%	92,500,000	-117,934,907	-25,434,907	210,937,037	17.76%
Including:							
— Domestic legal person's shares	236,232,385	23.26%	92,500,000	-117,898,517	-25,398,517	210,833,868	17.75%
— Domestic natural person's shares	139,559	0.01%	0	-36,390	-36,390	103,169	0.01%
4) Foreign-owned shares	0	0%	0	0	0	0	0%
Including:							
— Foreign legal person's shares	0	0%	0	0	0	0	0%

— Foreign natural person's shares	0	0%	0	0	0	0	0%
II. Unrestricted shares	666,254,156	65.61%	0	168,720,982	168,720,982	834,975,138	70.29%
1) RMB Ordinary shares	217,675,337	21.44%	0	168,720,982	168,720,982	386,396,319	32.53%
2) Domestic listed foreign shares	448,578,819	44.17%	0	0	0	448,578,819	37.76%
3) Overseas listed foreign shares	0	0%	0	0	0	0	0%
4) Others	0	0%	0	0	0	0	0%
III. Total shares	1,015,463,124	100%	172,500,000	0	172,500,000	1,187,963,124	100%

## Changes of restricted shares

Unit: Share

Name of the restricted shareholders	Restricted amount held in the year-begin	Amount converted to tradables in 2007	Amount of restricted shares increased in 2007	Restricted amount held at the year-end	Reason of been restricted	Date of the conversion
Yiwan Industrial Development (Shenzhen) Co., Ltd.	113,256,408	50,773,156	59,538	62,542,790	Commitments from Share Merger Reform	2007.05.25
China Northern Industry Corporation	112,324,822	50,773,156	59,050	61,610,716	Commitments from Share Merger Reform	2007.05.25
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	105,763,353	50,773,156	55,602	55,045,799	Commitments from Share Merger Reform	2007.05.25
10 former non-tradable shareholders who didn't performed the Share Merger Reform in 2006 (Note 1)	1,359,702	174,190	0	1,185,512	Commitments from Share Merger Reform	2008.02.04
29 former non-tradable shareholders who performed the Share Merger Reform in 2006 (Note 2)	16,365,124	16,365,124	0	0	Commitments from Share Merger Reform	2007.05.25
China Ping'an Trust & Investment Co., Ltd.	0	0	80,000,000	80,000,000	Due to Private placement	2010.10.15
Citics Securities Co., Ltd.	0	0	80,000,000	80,000,000	Due to Private placement	2010.10.15
CIL Holdings Limited	0	0	6,250,000	6,250,000	Due to Private placement	2010.10.15
Zhejiang Silicon Paradise Pengcheng Venture & Investment Co., Ltd.	0	0	6,250,000	6,250,000	Due to Private placement	2010.10.15
Zeng Nan	137,559	34,390	0	103,169	Senior executive shares	—
Total	349,206,968	168,893,172	172,674,190	352,987,986	—	—

Note (1): In February 2008, there were seven (out of ten) former non-tradable shareholders accomplished the compensation requirement of Share Merger Reform, 1,065,512 non-tradable shares they held was released and been unrestricted. The relevant information was announced in the Notice on Release of Restricted Shares published in the China Securities Journal, Securities Times and Hong Kong Wen Wei Po on the 1st of Feb, 2007.

Note (2): Please refer to the Notice on Release of Restricted Shares published in the China Securities Journal, Securities Times and Hong Kong Wen Wei Po dated May 22 2007 for the detail information about the 29 former non-tradable shareholders and their restricted shares released.

#### 4.2 Particulars about the shares held by the top ten shareholders, and the shares held by the top ten unrestricted shareholders.

Unit: Share

Total shareholders:	66,814 shareholders (including 34,902 shareholders of A-share, 31,912 shareholders of B-share)				
Particulars about the shares held by the top ten shareholders					
Name of shareholder	Nature of shareholders	Total shares held (Unit: Share)	Proportion in total (%)	Restricted shares held (Unit: Share)	Shares pledged or frozen
China Ping'an Trust & Investment Co., Ltd.	Domestic legal person	6.74%	80,100,000	80,000,000	0
Citics Securities Co., Ltd.	State-funded legal person	6.73%	80,000,000	80,000,000	0
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	Domestic legal person	6.40%	76,035,957	55,045,799	0
Yiwan Industrial Development (Shenzhen) Co., Ltd.	Domestic legal person	5.72%	67,942,632	62,542,790	0
China Northern Industries Corporation	State-funded legal person	5.19%	61,610,716	61,610,716	0
MIRAE ASSET CHINA SOLOMON EQUITY INVESTMENT TRUST 1	Foreign-funded	1.88%	22,320,293	0	0
BONY-DREYFUS PIFI-DREYFUS PREMIER GREATER CHINA	Foreign-funded	1.70%	20,250,766	0	0
GAO-LING FUND, L.P.	Foreign-funded	1.57%	18,682,064	0	0
Industrial and Commercial Bank of China-Jianxin Optimized Collocation Mixed Securities Investment Fund	Domestic legal person	1.17%	13,887,797	0	0
Industrial and Commercial Bank of China-Penghua High Quality Administration Stock Securities Investment Fund (LOF)	Domestic legal person	1.14%	13,567,072	0	0
Particulars about the shares held by the top ten unrestricted shareholders					
Name of shareholder		Unrestricted share held (Unit: Share)		Type of share	
MIRAE ASSET CHINA SOLOMON EQUITY INVESTMENT TRUST 1		22,320,293		B-Share	
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.		20,990,158		A-Share	
BONY-DREYFUS PIFI-DREYFUS PREMIER GREATER CHINA		20,250,766		B-Share	
GAO-LING FUND,L.P.		18,682,064		B-Share	
Industrial and Commercial Bank of China-Jianxin Optimized Collocation Mixed Securities Investment Fund		13,887,797		A-Share	
Industrial and Commercial Bank of China-Penghua High Quality Administration Stock Securities Investment Fund (LOF)		13,567,072		A-Share	
CREDIT SUISSE (HONG KONG) LIMITED		12,936,570		B-Share	
GUOTAI JUNAN SECURIES HONG KONG LIMITED		12,001,781		B-Share	
China Construction Bank-Rongtong Leading Growth Stock Securities Investment Fund		10,009,699		A-Share	
Industrial and Commercial Bank of China-Merchant Core Value Mixed Securities Investment Fund		8,706,016		A-Share	
Statement on associated relationship or consistent action among the above shareholders:	Among shareholders as listed above, Yiwan Industrial Development (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd. are holding enterprises of Shenzhen International Holdings Limited. Except for this, It is unknown whether other shareholders belong to consistent actors or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies.				

#### 4.3 Particulars about controlling shareholders and actual controller of the Company

##### 4.3.1 Particulars about change in controlling shareholders and actual controller of the Company

☐ Applicable      ☒ Inapplicable

##### 4.3.2 Introduction of controlling shareholder and actual controller

The actual controller of the Company is Shenzhen International Holdings Limited established in Bermuda in November 1989, which listed in main board of Hong Kong Exchanges and Clearing Co., Ltd.. Chairman of the Board is Guo Yuan. The Group, including the company, and its affiliated companies, associated companies and jointly controlled companies, is mainly engaged in service of total logistics and transportation ancillaries, as well as investment, operation and management of related assets and projects.

##### 4.3.3 Diagram of property right and controlling relationships between the actual controller of the Company and the Company





## §5. Particulars about Directors, Supervisors, Senior Executives

### 5.1 Particulars about changes in shares and remunerations held by directors, supervisors and senior executives

Name	Title	Gender	Age	Date of term started	Date of term ended	Shares held at the year-begin	Shares held at the year-end	Total remuneration received in 2007 (RMB'0000)	Receiving Remuneration and allowance or not
Zeng Nan	Chairman of the Board/ Chief Executive Office	Male	63	2005.04	2008.04	137,559	137,559	114.21	No
Li Jingqi	Director	Male	51	2005.04	2008.04	0	0	0	Yes
Long Long	Independent Director	Male	52	2005.04	2008.04	0	0	5	No
Zhang Jianjun	Independent Director	Male	43	2005.04	2008.04	0	0	5	No
Xie Rudong	Independent Director	Male	50	2007.04	2008.04	0	0	3.33	No
Yan Ganggang	Director	Male	48	2007.04	2008.04	0	0	1.67	No
Guo Yongchun	Director	Male	40	2005.04	2008.04	0	0	0	Yes
Zhang Liqing	Director	Male	41	2007.11	2008.04	28,700	28,700	0	Yes
Wu Guobin	Director/Vice President/Secretary of the Board of Directors	Male	43	2005.04	2008.04	0	0	84.67	No
Yang Hai	Chairman of the Supervisory Committee	Male	46	2005.04	2008.04	0	0	0	Yes
Li Jiong	Supervisor	Male	37	2007.11	2008.04	0	0	0	Yes
Zhao Xijun	Supervisor	Male	39	2005.04	2008.04	0	0	56.83	No
Luo Youming	Chief Financial Officer	Male	45	2005.11	2008.04	0	0	86.39	No
Ke Hanqi	Vice President	Male	42	2005.04	2008.04	0	0	86.14	No
Zhang Fan	Vice president	Male	42	2005.11	2008.04	0	0	88.10	No
Total	-	-	-	-	-	166,259	166,259	531.34	-

Stocks option of the Company held by the aforementioned executives and the amount of restricted shares granted

☐ Applicable      ☒ Inapplicable

## §6. Report of the Board of Directors

### 6.1 Discussion and analysis of the operation

In 2007, the production and operation of the Company continuously presented a stable growth trend. The float glass sector and the fine glass sector both made a best achievement in their profit history. Under the homogenous competition in the market, the Company strengthened its core competencies by putting more resources in R&D, and continuously improving production techniques and management, which at the same time reinforced the advantage of differentiation. Following the strategies of development, the Company further enhanced the main business, standardized the management and improved the administrative structure. At the same time, the Company made a significant improvement in its business layout and structure, resource integration, intellectual assets management and human resource, and all its economy indices had significant improved. In 2007, the Company realized revenue RMB 4.188 billion and net profit RMB 0.431 billion, which are 41.26% and 28.76% increase respectively compared to 2006.

The constructions of new project had obvious achievement in 2007. The first phase of energy saving glass projects in Dongguan, Tianjin, Wujiang is completed respectively, and the trial production has been launched. The construction of Yichan poly-silicon project is carried on in schedule. The solar cell project in Dongguan is in the equipment installation and adjustment stage, it is expected to start the production in the first half of year 2008. After all completions, the operation of the new projects will guarantee a continuous development for the Company.

**Float glass business:** In 2007, the float glass business recovered from the industrial downturn. However, it still faced pressure such as price increase in main raw materials, decrease in tax rebate of exporting and etc. The Company continuously persisted in using product differentiation to maintain its competitive advantage and price level, and kept the product yield at a high level through measures of enhancing internal management level, improving techniques, reducing energy consumption and staff training, which brought the float glass business of the Company a successful year. In 2007, the business realized RMB 234 million in net profit with 139% increase compared to last year. Furthermore, the Company successfully produced the ultra clear float glass with own intellectual property right in 2007. The succession of this product not only broke the technical monopolization from abroad, but its technology index also exceeded the international standards.

**Architectural glass business:** Along with the promulgation and intensified supervision of various energy conservation policies and attention in environment protection, the market of engineering glass industry continuously maintained a favorable tendency in growth. Whereas, influenced by the pressures of price increasing of flat glass and intense market competition, and the removal of Shenzhen production plants to Dongguan, the profitability of architectural glass business was significantly affected. In order to deal with the changes in internal and external conditions, the Company took full use of its competitive advantage and market power to enhance the development and innovation of its energy-saving glass products, and reinforce its market exploitation. In 2007, the triple-layer Low-E glass was successfully produced by Chengdu CSG using its own assembly production line, which broke the technical monopolization from abroad. Meanwhile, the architectural department of the Company intensified its perfect management, improved production techniques, reduced quality cost, enhanced its existing capacity utilization ratio and etc. to offset the influences from both internal operation and market environment. With the completion of the energy saving glass projects in Tianjin, Dongguan, Wujiang, Chengdu, the architectural glass business of the Company will have a breakthrough on its production scale and profit, thus its leading position in the industry will be further strengthened.

**Fine glass business:** Under the homogenous competition, the prices of ITO Conductive Glass and color filter dropped in 2007. In order to deal with the pressure of price fall from market competition, the fine glass department actively enlarged its production scale, and increased product yield and production proportion of high value-added products, thus the business still maintain its strong profitability.

**Solar energy business:** Through production technique improvement, and one year operation in ultra clear solar glass project, the Company now can successfully produces high quality solar glass which can meet the advanced international standard. The Company now is the biggest manufacture of solar energy glass in China with 60% domestic market share. The project of poly-silicon in Yichang is tough, many problems occurred during the project implementation, but by working with

great efforts, the project is being carried on in schedule. In expectation, the trail production will start in the second half of year 2008. For the solar cell project, all equipments are arrived and being installed. The production will be launched in the first half of year 2008. Along with the completion of these projects, the solar energy business will bring another pillar business to the Company.

## 6.2 Main operations classified according to industries or products

Unit: RMB'0000

Main operation classified according to products						
Product	Main operating income	Cost of sales	Gross profit margin (%)	Percentage change in operating income compared to 2006 (%)	Percentage change in cost of sales compared to 2006 (%)	Percentage change in gross profit compared to 2006 (%)
Float glass	191,879	137,018	28.59%	34.59%	24.06%	Increase 6.06% points
Architectural glass	132,868	98,277	26.03%	45.27%	73.86%	Decrease 12.16% points
Fine glass	54,745	31,077	43.23%	28.89%	27.85%	Increase 0.46% points

## 6.3 Main operations classified according to locations

Unit: RMB'0000

Location	Main operating income	Percentage change in operating income compared to 2006 (%)
Mainland, P.R.C.	313,192	52.68%
Hong Kong, P.R.C	64,838	28.92%
United States	4,684	-40.68%
Australia	3,497	-4.06%
Other locations	30,175	52.68%

## 6.4 Usage of raised fund

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Total raised fund	138,000		Fund used in 2007		70,998	
			Total Fund used		70,998	
Target project	Changes in project	Fund required	Fund used	Is it in Schedule	Profits generated	Is the earning as expected
Tianjing Low-E glass project	No	28,000	12,600	Yes	Constructing	—
Wujian Low-E glass project	No	30,000	12,478	Yes	Constructing	—
1500T/Year poly-silicon project	No	45,000	17,420	Yes	Constructing	—
Dongguan glass processing base	No	35,000	28,500	Yes	-2,204	—
Total	-	138,000	70,998	—	—	—
Reasons of failure in meeting the schedule and expected return	N/A					
Explanation for changings in project	N/A					
Usage of remaining fund	Unused fund is RMB 670.02 million, it will be continuously spent and invested in the above target projects.					

Particulars about the changed projects

☐ Applicable ☒ Inapplicable

## 6.5 Investment of non-raising fund

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Project	Amount	Progress of project	Earning
Ultra clear solar glass project	15,000	The project launched successfully at the end of Oct 2006, and commenced the operation in Feb 2007. The yearly production capacity of ultra clear solar glass is over 6 million square meters.	At the end of report period, it realized net profit of RMB 32.59 million.
Ultra clear solar glass expansion project	25,800	Planning to build a production line of ultra clear solar glass with daily melting capacity of 250 tons, and glass tempering line with capacity of 5 million square meters per year. The construction period of the project is 9 months. After the completion of the project, it can form production capacity of 6.25 million square meters top grade ultra clear solar float glass and 5 million square meters tempered solar glass every year.	In the report period, the project was still under construction.
PV solar cell project	10,000	The equipments are all arrived and being installed. The production is expected to be launched in the first half of year 2008.	In the report period, the project did not generate earning.
Hebei CSG float glass project	73,900	Planning to build two production line of top grade specialized glass with daily melting capacity of 600 tons and 900. The construction period of the project is 12 months. These two lines are expected to be ignited and launched in Aug. and Oct respectively. After the completion of the project, it can form production capacity of 490 thousand tons of top grade float glass every year.	In the report period, the project was still under construction.
Chengdu CSG new coated glass production line	24,800	Planning to build a production line and its supporting processing line. It mainly produces energy conservation Low-E glass. The phase 1 of the project is expected to be completed in the middle of year 2008. After the completion of the project, the yearly production capacity of Low-E compound-processed glass is 1.25 million square meters.	The project was approved in Jan. 2008, and been adjusted in Mar. 2008 by the Board of Directors
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 project is expected to be complete in the middle of year 2009.	The project was approved by the Board of Directors in Jan. 2008
Total	195,400	-	-

## 6.6 Explanation from the Board of Directors on the non-standard audit report presented by the certified public accountants

☐ Applicable ☒ Inapplicable

## 6.7 The proposal of profit distribution or share conversion from capital public by the Board

☒ Applicable ☐ Inapplicable

According to the financial report audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd., the net profit of the Company was RMB 300,694,520 (non-consolidated) in 2007. The Company took 10% of the net profit as stationary surplus reserve. The Board of Directors proposed to distribute the profit based on the total share capital 1,187,963,124 at the end of the year 2007, taking into accounts of the profits available for dividend of the Company as at 31 December 2007 and the dividend income committed by the subsidiaries of the Company amounting to RMB 254,920,429, to distribute every shareholder RMB 1.50 (including tax) for each 10 shares held.

The Company made profit in the report period, but had not yet propose any dividend distribution plan for the year.

☐ Applicable ☒ Inapplicable

## §7. Significant Events

### 7.1 Purchase of assets

☐ Applicable ☒ Inapplicable

### 7.2 Sales of assets

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Transferee	Asset sold	Date of sale	Price of sale	Net profit to the Company generated by the asset from the year-begin to the date-of -sale	Gains/ losses from the asset sold	Related transaction or not	Method used in pricing	The equity of the asset have been fully transferred or not	All liabilities of the asset have been fully transferred or not
Xinyi International Investment Co., Ltd.	Shenzhen CSG Automotive Glass Co., Ltd	2007.11.01	16,600	-680	2,928	No	The equity evaluated in the audit report of the Company by Oct. 31 of 2007	Yes	Yes

Influences on the business continuity and management stability of the Company by the matters in 7.1 and 7.2

The realization of this transaction can help the Company to allocate the resources in its significant business, which reinforces the Company's competitive power and continuous development.

### 7.3 Significant guarantees

☒ Applicable ☐ Inapplicable

Unit: RMB'0000

Guarantees of the Company for external parties (excluding its subsidiaries)	
Total amount of guarantee in the report period	0
Balance of guarantee at the end of the report period	0
Guarantee of the Company for its controlling subsidiaries	
Total amount of guarantee to controlling subsidiaries in the report period	85,226
Balance of guarantee to controlling subsidiaries at the end of the report period	78,721
Particulars about the guarantee of the Company(Including the guarantee for the controlling subsidiaries)	
Total amount of guarantee	78,721
Proportion of the total guarantee in net assets of the Company (%)	19.65%
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%	16,846
Total amount of guarantee in net assets of the Company exceeded 50%	0
Total amount of guarantee aforesaid	16,846

### 7.4 Significant related party transaction

#### 7.4.1 Related party transactions regarding normal operation

☐ Applicable ☒ Inapplicable

#### 7.4.2 Related credits and debts transaction

☐ Applicable ☒ Inapplicable

#### 7.4.3 Capital adoption and clearance in year 2007

☐ Applicable ☒ Inapplicable

Capital adoption newly occurred in 2007

☐ Applicable ☒ Inapplicable

If the clearance of adoption of capital for non-operational purpose is not completed by the end of 2007, please provide reason and plan for it.

☐ Applicable ☒ Inapplicable

### 7.5 Entrusted finance management

☐ Applicable ☒ Inapplicable

## 7.6 Commitment and implementation

☒ Applicable      ☐ Inapplicable

Non-tradable shareholders of the Company committed in Explanations on Share Merger Reform of CSG Holding Co., Ltd:

1. Since the date of the implementation of Share Merger Reform, no transaction or transfer is allowed in the market within 12 months.

2. When the original non-tradable shareholders, whose total stock exceeds 5% of the total shares of the Company, list and sell the original non-tradable shares on Shenzhen Stock Exchange under the expiration of the condition in item 1 above, the proportion of shares sold must not exceed 5% of the total shares of The Company in 12 months, and 10% of the total shares of the Company in 24 months.

## 7.7 Significant lawsuit and arbitrations

☐ Applicable      ☒ Inapplicable

## 7.8 Other significant events and analysis on their influences and solutions

### 7.8.1 Particulars about securities investment

☐ Applicable      ☒ Inapplicable

### 7.8.2 Equity of other listed companies held

☒ Applicable      ☐ Inapplicable

Unit: RMB

Stock Code	Stock Abbr.	Initial Investment	Proportion of equity held	Book value at the period end	Gains/ losses in 2007	Changes in Owners' Equity	Item in accounting	Share type
000504	CCID Media	17,650,512	0.91%	31,923,277	-	27,765,879	Available-for-sale financial assets	Legal person share
600695	ST Dajiang	2,000,000	0.13%	7,395,960	-	7,395,960	Available-for-sale financial assets	Legal person share
000566	Hainan Haiyao	1,203,072	0.24%	4,307,204	-	3,586,484	Available-for-sale financial assets	Legal person share
Total		20,853,584	-	43,626,441	-	38,748,323	-	-

### 7.8.3 Equity of non-listed financial enterprises held

☐ Applicable      ☒ Inapplicable

### 7.8.4 Particulars about the trading of shares of other listed company

☐ Applicable      ☒ Inapplicable

## §8. Report of the Supervisory Committee

☐ Applicable

☒ Inapplicable

## §9. Financial Report

### 9.1 Auditor's opinions

Auditor's report	Standard unqualified opinion
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### 9.2 Financial statement

#### 9.2.1 Balance Sheets

Prepared by: CSG Holding Co., Ltd.

December 31 2007

Unit: RMB

Items	31 December 2007		1 January 2007	
	Consolidated	Parent Company	Consolidated	Parent Company
Current asset:				
Monetary fund	1,278,194,239	607,076,960	538,770,847	190,814,911
Settlement provision				
Outgoing call option				
Trading financial assets				
Notes receivable	84,164,841		89,232,402	
Account receivable	313,711,591		297,511,164	
Prepayment	25,383,094	3,571,268	13,182,984	
Insurance receivable				
Reinsurance receivable				
Provision of reinsurance contracts receivable				
Interest receivable				3,664,440
Dividend receivable		119,859,802		123,684,502
Other account receivable	107,187,651	795,518,581	24,935,768	808,932,976
Repurchasing of financial assets				
Inventories	325,139,590		321,493,894	
Non-current asset due in 1 year				
Other current asset			1,983,605	
Total of current asset	2,133,781,006	1,526,026,611	1,287,110,664	1,127,096,829
Non-current assets				
Loans and payment on other's behalf disbursed				
Disposable financial asset	43,626,441	43,626,441	4,878,118	4,878,118
Expired investment in possess				
Long-term receivable		616,484,860		429,036,512
Long-term share equity investment	4,200,000	2,300,325,729	10,965,062	1,885,954,032
Property investment				



Fixed assets	5,178,698,489	21,008,581	4,608,192,942	20,454,956
Construction in process	791,877,561		614,851,194	
Engineering material				
Fixed asset disposal				
Production physical assets				
Gas & petrol				
Intangible assets	293,919,172		233,841,350	
R&D expense				
Goodwill	3,039,946			
Long-term prepaid expenses				
Differed income tax asset	3,839,332		1,481,513	
Other non-current asset			15,000,569	15,000,569
Total of non-current assets	6,319,200,941	2,981,445,611	5,489,210,748	2,355,324,187
Total of assets	8,452,981,947	4,507,472,222	6,776,321,412	3,482,421,016
Current liabilities				
Short-term loans	2,014,621,320	1,067,199,380	1,842,610,786	1,072,319,150
Loan from Central Bank				
Deposit received and hold for others				
Call loan received				
Trade off financial liabilities				
Notes payable	284,555,735		319,481,628	
Account payable	616,421,927		457,494,919	
Prepayment received	71,698,511		60,171,835	
Selling of repurchased financial assets				
Fees and commissions receivable				
Employees' wage payable	46,335,228	8,826,653	33,070,345	10,924,100
Tax payable	57,438,795	439,915	31,752,687	
Interest payable	5,377,281	423,445	6,006,558	
Dividend payable	3,194,116	3,194,116	3,708,570	3,708,570
Other account payable	147,521,129	87,492,449	79,809,770	308,435,883
Reinsurance fee payable				
Insurance contract provision				
Entrusted trading of securities				
Entrusted selling of securities				
Non-current liability due in 1 year	331,624,057		214,276,949	
Other current liability	20,208,284		21,086,247	1,621,486
Total of current liability	3,598,996,383	1,167,575,958	3,069,470,294	1,397,009,189
Non-current liabilities				
Long-term borrowings	514,161,431		717,041,621	
Bond payable				
Long-term payable				
Special payable				
Expected liabilities				
Differed income tax liability	7,558,595	4,643,214		
Other non-recurring liabilities	46,651,667		45,000,000	
Total of non-current liabilities	568,371,693	4,643,214	762,041,621	
Total of liability	4,167,368,076	1,172,219,172	3,831,511,915	1,397,009,189
Owners' equity (or shareholders' equity)				
Paid-in capital collected (or share capital)	1,187,963,124	1,187,963,124	1,015,463,124	1,015,463,124
Capital reserves	1,802,280,532	1,812,007,435	578,135,709	578,402,326
Less: Shares in stock				
Surplus reserves	359,176,856	359,176,856	329,107,404	329,107,404
Common risk provision				
Attributable profit	653,330,647	-23,894,365	708,873,702	162,438,973

Different of foreign currency translation	4,262,959		929,916	
Total of owner's equity belong to the parent company	4,007,014,118	3,335,253,050	2,632,509,855	2,085,411,827
Minor shareholders' equity	278,599,753		312,299,642	
Total of owners' equity	4,285,613,871	3,335,253,050	2,944,809,497	2,085,411,827
Total of liabilities and owners' equity	8,452,981,947	4,507,472,222	6,776,321,412	3,482,421,016

## 9.2.2 Income Statement

Prepared by: CSG Holding Co., Ltd.

January to December in 2007

Unit: RMB

Items	January to December in 2007		January to December in 2006	
	Consolidated	Parent Company	Consolidated	Parent Company
I. Total business income	4,187,962,628	72,000	2,964,816,212	72,000
Incl. Business income	4,187,962,628	72,000	2,964,816,212	72,000
Interest income				
Insurance fee earned				
Fee and commission received				
II. Total business cost	3,572,913,316	37,266,323	2,520,300,147	10,956,875
Incl. Business cost	2,909,573,117	3,708	2,011,757,303	3,708
Interest expense				
Fee and commission paid				
Insurance discharge payment				
Net claim amount paid				
Net insurance policy reserves provided				
Insurance policy dividend paid				
Reinsurance expenses				
Business tax and surcharge	11,823,893		6,442,552	
Sales expense	251,276,789		196,442,484	
Administrative expense	292,019,143	24,461,287	214,205,227	20,403,730
Financial expenses	64,918,116	-918,672	87,982,201	-9,450,563
Asset impairment loss	43,302,258	13,720,000	3,470,380	
Plus: Gains from change of fair value ("-" for loss)				
Investment gain ("-" for loss)	27,934,153	337,707,699		301,374,451
Incl. Investment gains from affiliates				
Gains from currency exchange ("-" for loss)				
III. Operational profit ("-" for loss)	642,983,465	300,513,376	444,516,065	290,489,576
Plus: Non business income	13,879,551	250,000	10,929,435	271,200
Less: Non-business expenses	22,395,934	68,856	6,300,729	50,000
Incl. Loss from disposal of non-current assets	19,546,234		2,889,823	
IV. Gross profit ("-" for loss)	634,467,082	300,694,520	449,144,771	290,710,776
Less: Income tax expenses	67,212,115		32,330,631	
V. Net profit ("-" for net loss)	567,254,967	300,694,520	416,814,140	290,710,776
Net profit attributable to the owners of parent company	431,484,803		335,110,814	
Minor shareholders' equity	135,770,164		81,703,326	
VI. Earnings per share:				
(I) Basic earnings per share	0.41		0.33	
(II) Diluted earnings per share	0.41		0.33	

## 9.2.2 Cash Flow Statement

Prepared by: CSG Holding Co., Ltd.

January to December in 2007

Unit: RMB

Items	January to December in 2007		January to December in 2006	
	Consolidated	Parent Company	Consolidated	Parent Company
<b>I. Net cash flow from business operation</b>				
Cash received from sales of products and providing of services	3,958,963,853		2,906,052,135	
Net increase of customer deposits and capital kept for brother company				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial bodies				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal				
Cash received as interest, processing fee, and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Tax returned	9,864,987		14,043,923	
Other cash received from business operation	34,342,585	10,902,424	80,301,911	31,965,572
Sub-total of cash inflow from business activities	4,003,171,425	10,902,424	3,000,397,969	31,965,572
Cash paid for purchasing of merchandise and services	2,054,947,374		1,567,384,497	
Net increase of client trade and advance				
Net increase of savings in central bank and brother company				
Cash paid for original contract claim				
Cash paid for interest, processing fee and commission				
Cash paid for policy dividend				
Cash paid to staffs or paid for staffs	353,353,295	17,504,047	267,112,610	13,799,475
Taxes paid	305,089,309	315,626	189,004,706	375,129
Other cash paid for business activities	187,465,932	48,197,591	176,103,603	30,470,092
Sub-total of cash outflow from business activities	2,900,855,910	66,017,264	2,199,605,416	44,644,696
Cash flow generated by business operation, net	1,102,315,515	-55,114,840	800,792,553	-12,679,124
<b>II. Cash flow generated by investing</b>				
Cash received from investment retrieving	139,960,519	65,242,370		120,000,000
Cash received as investment gains		266,547,165		302,517,812
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	1,348,194		32,000,464	
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related cash received	83,883,732	737,625,418	70,264,995	761,332,832
Sub-total of cash inflow due to investment activities	225,192,445	1,069,414,953	102,265,459	1,183,850,644

Cash paid for construction of fixed assets, intangible assets and other long-term assets	1,425,419,419	3,041,818	1,137,044,698	2,552,683
Cash paid as investment	128,775,559	583,100,834	13,015,062	360,772,516
Net increase of loan against pledge				
Net cash received from subsidiaries and other operational units				
Other cash paid for investment activities	11,156,300	877,122,994	38,576,000	1,382,720,736
Sub-total of cash outflow due to investment activities	1,565,351,278	1,463,265,646	1,188,635,760	1,746,045,935
Net cash flow generated by investment	-1,340,158,833	-393,850,693	-1,086,370,301	-562,195,291
III. Cash flow generated by financing				
Cash received as investment	1,386,560,000	1,372,000,000	40,749,008	
Incl. Cash received as investment from minor shareholders	14,560,000		40,749,008	
Cash received as loans	4,367,493,598	2,053,806,260	3,404,467,814	1,197,919,150
Cash received from bond placing				
Other financing-related cash received				
Subtotal of cash inflow from financing activities	5,754,053,598	3,425,806,260	3,445,216,822	1,197,919,150
Cash to repay debts	4,073,028,994	2,074,348,620	2,578,682,694	264,000,000
Cash paid as dividend, profit, or interests	652,976,268	480,214,538	323,620,820	183,899,660
Incl. Dividend and profit paid by subsidiaries to minor shareholders	57,618,791		43,627,832	
Other cash paid for financing activities	3,200,000	3,200,000	3,200,000	3,200,000
Subtotal of cash outflow due to financing activities	4,729,205,262	2,557,763,158	2,905,503,514	451,099,660
Net cash flow generated by financing	1,024,848,336	868,043,102	539,713,308	746,819,490
IV. Influence of exchange rate alternation on cash and cash equivalents	-7,865,179	-2,815,520	-1,432,095	-83,609
V. Net increase of cash and cash equivalents	779,139,839	416,262,049	252,703,465	171,861,466
Plus: Balance of cash and cash equivalents at the beginning of term	480,466,714	190,814,911	227,763,249	18,953,445
VI. Balance of cash and cash equivalents at the end of term	1,259,606,553	607,076,960	480,466,714	190,814,911

**9.2.4 Statement of Changes In Owner's Equity**

Prepared by: CSG Holding Co., Ltd.

December 31 2007

Unit: RMB

Items	Amount in 2007									Amount in 2006								
	Equity attributable to equity holders of the Parent Company							Minority Interests	Total Equity	Equity attributable to equity holders of the Parent Company							Minority Interests	Total Equity
	Paid-in capital (or share capital)	Capital reserves	Less: treasury shares	Surplus reserves	Common risk provision	Undistributed profits	others			Paid-in capital (or share capital)	Capital reserves	Less: treasury shares	Surplus reserves	Common risk provision	Undistribut ed profits	others		
I. Balance at the end of last year	1,015,463,124	578,135,709		329,107,404		708,873,702	929,916	312,299,642	2,944,809,497	1,015,463,124	575,835,467		350,456,259		534,031,692	140,705	239,819,093	2,715,746,340
Plus: Change of accounting policy													-50,419,933		51,585,636			1,165,703
Correcting of previous errors																		
II. Balance at the beginning of current year	1,015,463,124	578,135,709		329,107,404		708,873,702	929,916	312,299,642	2,944,809,497	1,015,463,124	575,835,467		300,036,326		585,617,328	140,705	239,819,093	2,716,912,043
III. Changed in the current year (“+” for decrease)	172,500,000	1,224,144,823		30,069,452		-55,543,055	3,333,043	-33,699,889	1,340,804,374		2,300,242		29,071,078		123,256,374	789,211	72,480,549	227,897,454
(I) Net profit						431,484,803		135,770,164	567,254,967						335,110,814		81,703,326	416,814,140
(II) Gains/losses accounted into owners’ equity directly		32,121,504					3,333,043		35,454,547		2,300,242					789,211	-93,953	2,995,500
1. Change in fair value of sellable financial assets, net		34,105,109							34,105,109									
2. Influence of change in other owners’ equity of invested enterprises on equity basis																		
3. Influence of income tax related to owners’ equity items																		
4. Others		-1,983,605					3,333,043		1,349,438		2,300,242					789,211	-93,953	2,995,500
Total of (I) and (II)		32,121,504				431,484,803	3,333,043	135,770,164	602,709,514		2,300,242				335,110,814	789,211	81,609,373	419,809,640
(III) Investment or decreasing of capital by owners	172,500,000	1,192,023,319						-111,851,261	1,252,672,058								34,499,008	34,499,008
1. Investment by owners	172,500,000	1,199,500,000						14,560,000	1,386,560,000								40,749,008	40,749,008
2. Amount of shares paid and accounted as owners’ equity																		
3. Others		-7,476,681						-126,411,261	-133,887,942								-6,250,000	-6,250,000
(IV) Profit allotment				30,069,452		-487,027,858		-57,618,792	-514,577,198				29,071,078		-211,854,440		-43,627,832	-226,411,194
1. Providing of surplus reserves				30,069,452		-30,069,452							29,071,078		-29,071,078			
2. Providing of common risk provisions																		
3. Allotment to the owners (or						-456,958,406		-57,618,792	-514,577,198						-182,783,362		-43,627,832	-226,411,194

shareholders)																		
4. Others																		
(V) Internal transferring of owners' equity																		
1. Capitalizing of capital reserves (or to capital shares)																		
2. Capitalizing of surplus reserves (or to capital shares)																		
3. Making up losses by surplus reserves																		
4. Others																		
IV. Balance at the end of this term	1,187,963,124	1,802,280,532		359,176,856		653,330,647	4,262,959	278,599,753	4,285,613,871	1,015,463,124	578,135,709		329,107,404		708,873,702	929,916	312,299,642	2,944,809,497

### 9.3 Explanation on changes in accounting policy, estimates and methods compared with the previous annual report

☒ Applicable ☐ Inapplicable

According to the accounting policy, the Company has reviewed the estimated useful lives and classification of the fixed assets during the year. The Company revised its estimates on the fixed assets useful lives as follows.

	Initial estimates	Adjusted estimates
Building	20 to 35 years	10 to 40 years
Plant and machinery	10 to 20 years	10 to 16 years
Motor vehicles and others	5 to 10 years	3 to 10 years

The change was approved in the 17<sup>th</sup> meeting of the 4<sup>th</sup> Board of Directors on Apr. 24 2007.

### 9.4 Contents, amount corrected, reason and its influence of significant accounting errors

☐ Applicable ☒ Inapplicable

### 9.5 Explanation on the changes of consolidated scope compared with the previous annual report

☒ Applicable ☐ Inapplicable

1. Dongguan CSG Ceramics Technology Co., Ltd was established on Sep 13th of 2007. At the end of report period end, the company is still in preparation to construct.
2. Hebei CSG Glass Co., Ltd. was established on Dec 6th of 2007. At the end of report period, the company is still in preparation to construct.
3. In 2007, approved by the 22nd meeting of the 4th Board of Directors, the Company sold the 100% equity of its wholly owned subsidiary: Shenzhen CSG Automotive Glass Co., Ltd to Xinyi International Investment Co., Ltd. The transfer was conducted on the 1st of Nov 2007, this company was excluded from the consolidated report of the Company after that.
4. In 2007, the proposal of equity transfer of Shenzhen CSG Curtain Wall & PV Engineering Co., Ltd was approved by the 24th Meeting of the 4th Board of Directors.