

CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2011

(Excluding Financial Statement)



Chairman of the Board:
ZENG NAN

April 2011

Stock Code: 000012/200012

Short Form of Stock: Southern Glass A/B

Notice No.: 2011-022

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 2011 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 2011 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 2011	31 December 2010	Percentage of change
Total assets	13,640,128,781	12,469,619,167	9.39%
Total equity attributable to equity holders of the Company	6,804,105,700	6,384,871,209	6.57%
Capital	2,076,143,060	2,076,721,060	-0.03%
Total assets per share for equity holders of the Company	3.28	3.07	6.84%
	The 1 st quarter of 2011	The 1 st quarter of 2010	Percentage of change
Revenue	2,095,159,077	1,556,783,199	34.58%
Net profit attributable to equity holders of the Company	415,307,904	299,246,474	38.78%
Net cash flows from operating activities	408,163,940	204,265,631	99.82%
Net cash flows from operating activities per share	0.20	0.17	17.65%
Basic earnings per share (Note)	0.20	0.14	42.86%
Diluted earnings per share (Note)	0.20	0.14	42.86%
Weighted average return on equity	6.30%	5.47%	Increase 0.83 percentage points
Weighted average return on equity after extraordinary gains and losses	5.97%	5.08%	Increase 0.89 percentage points

Note: The financial data have been adjusted as new paid-in capital.

Items of extraordinary gains and losses

√ Applicable □ Inapplicable

Unit: RMB

Items of extraordinary gains and losses	Amount at the 31 March 2011 (from year-begin)
Gains and losses on disposal of non-current assets	447,082
Government subsidies recognized as gains and losses	24,776,768
Net value of other non-operating expenses	1,663,509
Tax effects on extraordinary gains and losses	-3,817,293
Extraordinary gains and losses of minority interests	-1,102,589
Total	21,967,477

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:	217,492（Including: 171,936 shareholders of A-share and 45,556 shareholders of B-share）	
Particulars about the shares held by the top ten unrestricted shareholders		
Name of shareholder	Unrestricted shares held	Share type
China Northern Industries Corporation	75,167,934	A-share
Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	67,740,000	A-share
Shenzhen International Holdings (SZ) Limited	65,430,000	A-share
China Ping An Trust & Investment Co., Ltd.	60,035,000	A-share
China Construction Bank - Yinhua Core Value Select Stock Fund	58,600,000	A-share
ICBC—China Universal Balance Growth Stock Fund	34,360,535	A-share
Bank of Communications—Boshi Xinxing Growth Stock Fund	24,643,049	A-share
Guotai Junan Securities (HongKong) Limited	20,758,773	B-share
Bank of Communications—Hua An Strategy Selected Stock Fund	20,184,395	A-share
China Construction Bank – Yinhua - Dow Jones China 88 Select Equity Fund.	19,476,086	A-share

III Significant events

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

√ Applicable □ Inapplicable

Unit: RMB'0000					
	Note	31 March 2011	31 December 2010	Amount of change	Percentage of change
Cash at bank and on hand	1	121,911	78,748	43,163	55%
Accounts receivable	2	44,288	24,220	20,068	83%
Other receivable	3	9,017	6,662	2,355	35%
Construction in progress	4	116,946	78,608	38,338	49%
Research and development expenditure	5	604	314	290	92%
Short-term borrowings	6	133,747	87,713	46,034	52%
Employee benefits payable	7	7,633	18,700	(11,067)	(59%)
Interest payable	8	5,207	2,459	2,748	112%
Other payables	9	21,873	16,139	5,734	36%
Current portion of non-current liabilities	10	15,161	7,569	7,592	100%
Other liabilities	11	23,606	17,354	6,252	36%
	Note	The 1 st quarter of 2011	The 1 st quarter of 2010	Amount of change	Percentage of change
Revenue	12	209,516	155,678	53,838	35%
Cost of sales	13	133,599	99,293	34,306	35%
Taxes and surcharge	14	1,002	117	885	756%
Asset impairment losses	15	400	224	176	79%
Investment income	16	0	906	(906)	(100%)
Non-operating income	17	2,719	1,650	1,069	65%
Non-operating expense	18	30	142	(112)	(79%)
Income tax expense	19	9,217	6,118	3,099	51%

Notes:

1. The increase of cash at bank and on hand was because of the increase of bank deposit.
2. The increase of accounts receivable was because of the increase of income for sales of the Company.
3. The increase of other receivable was because of the increase of refunding export taxes and deposit.
4. The increase of construction in progress was because the project constructions have been invested on schedule by the Company in the report period.
5. The increase of research and development expenditure was because partial expenditure of the R&D project met the capitalization condition, which should listed as research and development expenditure in statement according to the Accounting Rules.
6. The increase of short-term borrowings was because of the increase of short-term loan from bank.
7. The decrease of employee benefits payable was because the bonus fund of management and year-end bonus of employees that attributable to last year have been paid by the Company in the report period.
8. The increase of interest payable was because the payable bonds interest withdrew by the Company was not yet due to payment.
9. The increase of other payables was because Shenzhen CSG Display Technology Co., Ltd., subsidiary of the Company, purchased the minority shareholders' equity of Shenzhen CSG Wellight Conductive Coating Glass Co., Ltd. so that the payables account increased.
10. The increase of current portion of non-current liabilities was because of the increase of long-term loans due within one year.
11. The increase of other liabilities was because Yichang CSG Polysilicon Co., Ltd., subsidiary of the Company, received the

interest-free loans from government.
12. The increase of revenue was because the sales volume increased in the report period and partial products' price higher than the same period of last year.
13. The increase of cost of sales was because the business scale was larger than the same period of last year.
14. The increase of taxes and surcharge was because the increase of city maintenance and construction tax and educational surcharge.
15. The increase of asset impairment losses was because the bad debt provision for account receivable was switch-back at same period of last year and increase of corresponding withdrawal bad debt provision along with increase of the balance of account receivable in the report period.
16. The decrease of investment income was because there was an income recognized at same period of last year for sale of financial assets available for sale while no income recognized in the report period.
17. The increase of non-operating income was because of the increase of government grants in the report period.
18. The decrease of non-operating expense was because the losses on write-off of fixed assets decreased compared with the same period last year.
19. The increase of income tax expense was because the increase of before tax profit and the rate on enterprise income tax in the report period.

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

(i) Particular about Qualified Opinion

☐ Applicable ☒ Inapplicable

(ii) Particular about fund offered to shareholder or its related parties by the Company and external guarantee with procedure violation

☐ Applicable ☒ Inapplicable

(iii) Particular about the significant contract of routine operation signed and implemented

☐ Applicable ☒ Inapplicable

(iv) Others

☒ Applicable ☐ Inapplicable

A. Private A-share Offering to Specific Investor

The Company plans to offer no more than 250 million A-shares to less than 10 specific investors privately. The total fund collected will not exceed RMB 4 billion. The private offering has been approved by 2nd Extraordinary Shareholders' General Meeting 2011 and still in the process of examine and approved in CSRC. More details can be found in relevant notice on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website (www.cninfo.com.cn) dated 19 January, 22 March and 8 April 2011 respectively.

B. Short-term Financial Bonds

On 15 April 2011, proposal of short-term financial bonds issuance was approved by Shareholders' General Meeting 2010 of CSG Holding Co., Ltd. with the application of RMB 0.7 billion short-term financial bonds in limited. The Company will according to issuance schedule submit documents to National Association of Financial Market Institutional Investors (NAFMII for short).

C. Sold the Equity of Dongguan CSG Ceramics Technology Co., Ltd.

Being approved by the Extraordinary Meeting of 5th Board of Directors, 100% equity of Dongguan CSG Ceramics Technology Co., Ltd., wholly-owned subsidiary of the Company, were sold to Yang Boheng--a natural person, by the Company with price of RMB 64.12 million. Details of the above transaction can be found in Notice of Assets Sales published at Securities Times, China Securities Journal and Hong Kong Commercial Daily dated 1 February 2011.

D. Additional Consolidation Scope in Report Period

Heyuan CSG Photovoltaic Encapsulating Materials Co., Ltd. was included in consolidation statement scope since March of 2011 with business scope of: production of PV encapsulating materials. The Company held 75% equity of the company. The company still in preparing period in report period.

Xianning CSG Glass Co., Ltd. was included in consolidation statement scope since March of 2011 with business scope of: production of coated insulating glass and coated plate glass. The Company held 100% equity of the company. The company still in preparing period in report period.

E. 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.

- (a) On 18 June 2009 and 20 January 2010, the Company has bought back and wrote off total 14,407,500 restricted A shares respectively. Among these, 12,062,500 restricted A shares have been bought back and wrote off because the achievement index of the Company 2008 didn't satisfied unlocking conditions, 2,345,000 restricted A shares have been bought back and wrote off because 22 former incentive staffs resigned and didn't accord with the qualification of incentive plan.

- (b) On 13 May 2010, the Company implemented 2009 Annual Profit Distribution Plan, namely sending RMB 3.50 (tax included) in cash for every 10 shares to all shareholders, and provided share capital converted from capital reserves with 7 shares increased for each 10 shares at the same time. The amount of incentive restricted A shares add from 34,732,500 shares to 59,045,250 shares.

On 26 March 2010, the 13th meeting of the 5th Board of Directors examined and considered that the Phase II restricted shares held by incentive staffs satisfied unlocking conditions according to the regulations of Restricted A Shares Incentive Plan. On 25 June 2010, there was total 19,035,750 restricted A shares held by 214 incentive staffs met unlocking conditions and has been listed for trading.

- (c) On 30 July 2010 and 28 January 2011, the Company has bought back and wrote off total of 2,439,500 restricted A shares respectively because 14 former incentive staffs had resigned and didn't accord with the qualification of incentive plan.

- (d) On 18 March 2011, the 20th Meeting of 5th Board of Directors examined and considered that the Phase III restricted shares held by incentive staffs satisfied unlocking conditions according to the regulations of Restricted A Shares Incentive Plan.

- (e) At present, there were total of 255,000 restricted shares held by one former incentive staff were still waiting for buying back and writing off.

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 19 June 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, 26 May 2010, 24 June 2010, 31 July 2010, 29 January 2011, 22 March 2011 and 16 April 2011.

F. Progress of Internal Control Construction

The Company has set up Internal Control Department to build perfected and effective internal control system since June 2008. The system has been performed smoothly for two years. The available internal control system and implementation system are constructed and perfectly implemented effectively. There is no significant disadvantage in aspect of internal environment, control of operation benefit, control of investment and project construction, information system, financial management and accounting calculation, supervise and evaluation. As the requirement of Notice of Relevant Work on Pilot Standardized for Internal Control of Listed Company in Shenzhen Areas (SZJGSZi [2011] No. 31) from Shenzhen Securities Regulatory Bureau, the Work Plan for Execution of Standardized Internal Control of CSG was deliberated and approved by 2nd Meeting of 6th Board of Directors which was held on 21 April 2011. More details could be found in notice on Juchao Website (www.cninfo.com.cn) dated 22 April 2011.

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

✓ Applicable

□ Inapplicable

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	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 Yiwang Industrial Development (Shenzhen) Co., Ltd.) and Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen	By the end of the report period, the original non-tradable shareholders of the Company have strictly carried out their promises.

	(Shenzhen) Co., Ltd.	International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. On 9 July 2009, Shenzhen International held the Shareholders' General Meeting and authorized its board of directors to sale the CSG A share held by Shenzhen International at price of no less than RMB 8.5. 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.	
Commitments made in Acquisition Report or Reports on Change in Interests	-	-	-
Commitments made in Material Assets Reorganization	-	-	-
Commitments made in issuing	-	-	-
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 ☒ Inapplicable

- v** Other significant events.

- (i)** Particulars about securities investment

☐ Applicable ☒ Inapplicable

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

Date	Place	Method	Investor
2011.1.19	Conference room	Spot investigation	Acru Asset Management Kim Eng Securities(H.K.)Ltd
2011.1.25	In the Company	Communication on telephone	Taiwan Sinopac Securities
2011.2.21	In the Company	Communication on telephone	CLSA limited
Contents discussed and materials supplied		Introduction the disclosed information about operation and production of the Company. The material offered is the 2009 Annual Report.	

- vi** Particulars about derivatives investment

☐ Applicable ☒ Inapplicable

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

☐ Applicable ☒ Inapplicable

**Board of Directors of
CSG Holding Co., Ltd.
21 April 2011**