

CSG HOLDING CO., LTD.

# THE FIRST QUARTER REPORT 2013

(Excluding Financial Statement)



Chairman of the Board:  
ZENG NAN

April 2013

Stock Code: 000012; 200012;  
112021; 112022

Short Form of Stock: CSG A; CSG B;  
10 CSG 01; 10 CSG 02

Notice No.:2013-007

## Section I Important Notice

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

Mr. Zeng Nan, Chairman of the Board & CEO of the Company, CFO Mr. Luo Youming and principle of the financial department Mr. Huang Yanbing confirm that the Financial Report enclosed in the First Quarter Report 2013 is true and complete.

Except for the following directors, others are present the meeting of the Board for deliberating the First Quarter Report of the Company in person.

Name of director absent	Position	Reason for absence	Name of authorized director
Li Jingqi	Director	Due to business trip	Chen Chao
Guo Yongchun	Director	Due to business trip	Yan Ganggang

This report is prepared both in Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

## Section II Main accounting data and Changes in Shareholders

### I. Main accounting data

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

☐ Yes ☒ No

	The 1 <sup>st</sup> quarter of 2013	The 1 <sup>st</sup> quarter of 2012	Percentage of change(%)
Operating income (RMB)	1,456,792,882	1,523,060,818	-4.35%
Net profit attributable to shareholders of the listed company(RMB)	107,660,977	121,231,046	-11.19%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	90,472,570	10,646,189	749.81%
Net cash flow arising from operating activities(RMB)	289,618,073	257,286,802	12.57%
Basic earnings per share (RMB/Share)	0.05	0.06	-16.67%
Diluted earnings per share (RMB/Share)	0.05	0.06	-16.67%
The weighted average return on net assets(%)	1.57%	1.74%	-0.17%
	The 1 <sup>st</sup> quarter of 2013	31 December 2012	Percentage of change(%)
Total assets (RMB)	14,763,484,435	14,335,809,746	2.98%
Net assets attributable to shareholder of listed company(RMB)	6,915,907,395	6,816,210,753	1.46%

Items and amounts of extraordinary profit (gains)/loss

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount from year-beginning to the end of the report period	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	2,625,685	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	19,115,103	
Other non-operating income and expenditure except for the aforementioned items	1,794,284	

Impact on income tax	5,071,407	
Impact on minority shareholders' equity (post-tax)	1,275,258	
Total	17,188,407	--

## II. Total shareholders at the end of the report period and particulars about the top ten shareholders

Unit: Share

Total shareholders at the end of the report period	234,781					
Particulars about the top ten shareholders						
Full name of Shareholders	Nature of shareholder	Proportion of shares held (%)	Total shares held	Amount of restricted shares held	Number of share pledged/frozen	
					Share status	Amount
China Northern Industries Corporation	State-owned legal person	3.62%	75,167,934	0		
Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd.	Domestic non state-owned legal person	3.26%	67,740,000	0		
Shenzhen International Holdings (Shenzhen) Co., Ltd.	Domestic non state-owned legal person	3.15%	65,430,000	0		
BOC-DaCheng Blue-chip Stable Security Investment Fund	Domestic non state-owned legal person	0.99%	20,629,516	0		
PICC-dividend-individual issuance	Domestic non state-owned legal person	0.86%	17,944,560	0		
BOC-E-fund Shenzhen Index 100 ETF	Domestic non state-owned legal person	0.76%	15,700,035	0		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.73%	15,240,463	0		
ICBC—Rongtong Shenzhen Index 100 Security Investment Fund	Domestic non state-owned legal person	0.61%	12,761,487	0		
CMBC-Yinhua 100 Grading Security Investment Fund	Domestic non state-owned legal person	0.59%	12,281,861	0		

PICC-traditional-ordinary issuance products	Domestic non state-owned legal person	0.56%	11,600,385	0		
Particular about the top ten shareholders with un-restrict shares held						
Full name of Shareholders	Amount of un-restrict shares held	Type of shares				
		Type	Amount			
China Northern Industries Corporation	75,167,934	RMB ordinary shares	75,167,934			
Xin Tong Chan Industrial Development (Shenzhen) Co., Ltd.	67,740,000	RMB ordinary shares	67,740,000			
Shenzhen International Holdings (Shenzhen) Co., Ltd.	65,430,000	RMB ordinary shares	65,430,000			
BOC-DaCheng Blue-chip Stable Security Investment Fund	20,629,516	RMB ordinary shares	20,629,516			
PICC-dividend-individual issuance	17,944,560	RMB ordinary shares	17,944,560			
BOC-E-fund Shenzhen Index 100 ETF	15,700,035	RMB ordinary shares	15,700,035			
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	15,240,463	Domestic-listed Foreign Share	15,240,463			
ICBC—Rongtong Shenzhen Index 100 Security Investment Fund	12,761,487	RMB ordinary shares	12,761,487			
CMBC-Yinhua 100 Grading Security Investment Fund	12,281,861	RMB ordinary shares	12,281,861			
PICC-traditional-ordinary issuance products	11,600,385	RMB ordinary shares	11,600,385			
Explanation on associated relationship among the aforesaid shareholders	Among shareholders as listed above, Shenzhen International Holdings (Shenzhen) Co., Ltd. and Xin Tong Chan Development (Shenzhen) Co., Ltd. are holding enterprises and belong to controlling enterprise of Shenzhen International Holdings Co., Ltd. Except for this, It is unknown whether other shareholders belong to related party or have associated relationship regulated by the Management Regulation of Information Disclosure on Change of Shareholding for Listed Companies.					

## Section III Important Events

### I. Particulars and explanations about significant changes in main accounting statement and financial indexes

Unit: RMB'0,000

	Note	31 March 2013	31 December 2012	Amount of change	Percentage of change
Cash at bank and on hand	(1)	63,186	47,442	15,744	33%
Inventories	(2)	48,725	36,729	11,996	33%
Construction in progress	(3)	261,787	193,473	68,314	35%
Development expenditure	(4)	706	361	345	96%
Other non-current assets	(5)	1,211	5,186	(3,975)	(77%)
Short-term borrowings	(6)	243,014	168,805	74,209	44%
Interest payable	(7)	7,206	3,509	3,697	105%
Other payables	(8)	26,447	16,597	9,850	59%
Current portion of non-current liabilities	(9)	10,032	48,169	(38,137)	(79%)

	Note	Jan.-Mar.2013	Jan.-Mar.2012	Amount of change	Percentage of change
Cost of sales	(10)	105,072	123,089	(18,017)	(15%)
Taxes and surcharges	(11)	1,090	802	288	36%
Selling and distribution expenses	(12)	5,838	4,657	1,181	25%
Investment income	(13)	-	6,225	(6,225)	(100%)
Non-operating income	(14)	3,064	5,910	(2,846)	(48%)
Income tax expenses	(15)	4,480	2,765	1,715	62%

Note:

1. The increase of cash at bank and on hand was mainly due to the increase of bank deposit.
2. The increase of inventories was mainly due to the increase of raw materials and finished goods for part of the Group's subsidiaries stocked up for their follow-up orders.
3. The increase of construction in progress was mainly due to the Group's investment in the construction of the project items, as well as the subsidiary company, Dongguan CSG Solar Glass Co., Ltd. transformed its phase I and II production lines, transferring fixed assets into construction in progress.
4. The increase of development expenditure was mainly due to the increase of R & D expenditure accordance with the "development expenditure" accounting.

5. The decrease of other non-current assets was mainly because the procedures of the Group's acquisition of shares of external company were completed during the report period, and payment on account for equity acquisition was transferred from other non-current assets account.
6. The increase of short-term borrowings was mainly because the Group issued short-term financing bonds during the report period.
7. The increase of interest payable was mainly because the provision of bond interest payable has not been paid by the Group during the report period.
8. The increase of other payables was mainly attributable to the increase of payable for land transfer and collecting of tender deposit of the subsidiaries.
9. The decrease of current portion of non-current liabilities was mainly because the subsidiaries of the Group returned the long-term loan which would expire within one year.
10. The decrease of cost of sales was mainly due to the decrease of income and the decrease of unit production cost of main products of the Group.
11. The increase of taxes and surcharges was mainly because the increase of value-added tax resulted from the raise of sales gross margin which led to the increase of the city maintenance and construction tax and education surcharge.
12. The increase of selling and distribution expenses was mainly due to the increase of the sales volume of architectural glass industry of the Group during the report period.
13. The decrease of investment income was because investment income was generated by the Group selling the shares of Guangzhou CSG in the same period last year, but there was no such transaction during the report period.
14. The decrease of non-operating income was mainly because the governmental subsidy received by the subsidiaries of the Group was less than that of the same period last year.
15. The increase of income tax expenses was mainly due to the increase of pre-tax profits of part of the Group's subsidiaries during the report period.

## **II. Analysis of progress and impact of important events and the solutions**

### **1. Significant lawsuits and arbitrations of the Company**

In May 2011, Guangzhou Bodi Enterprise Management co., LTD. (hereinafter referred to as "Guangzhou Bodi") and Diyao Development co., LTD. (hereinafter referred to as the "Diyao Development") bought 100% Guangzhou CSG equity with RMB 403 million. In July 2011, Guangzhou Bodi and the Diyao Development failed to timely pay the equity transfer Phase II. The parties, with an agreement, promised that Guangzhou Bodi and the Diyao Development pay liquidated damages of about RMB 11.82 million. However, since April 2012, Guangzhou Bodi and the Diyao Development have refused to pay the balance of the equity transfer, liquidated damages and supervision fees, legal fees and the corresponding interest about RMB29 million in total. CSG Holding co., LTD. filed a lawsuit, recorded by Shenzhen Nanshan District People's Court (hereinafter referred to as Shen Nan Court Civil 2nd Chu No. 1035), whose trial date has not been determined currently.

In December 2012, Guangzhou Bodi and Diyao Development litigated to Guangdong High People's Court to charge the CSG's payment of RMB 378 million for liquidated damages (hereinafter referred to as the Yue High People Civil 4th Chu No. 5) with the excuse of CSG not preparing well to hand over the target enterprise as agreed. It is the same fact that CSG Holding co., LTD. filed the lawsuit to Shenzhen Nanshan District People's Court, and the later has already accepted this lawsuit. The case is undergoing its trial stage, whose trial date has not yet been set.

CSG's independent third party lawyer states that the case of Shen Nan Court Civil 2nd Chu No. 1035 is a suit which CSG sued Guangzhou Bodi and Diyao Development for standing for the rights regulated in equity transfer contract,

while the substance of the case filed in Yue High People Civil 4th Chu No. 5 is a malicious litigation made by Guangzhou Bodi and Diyao Development through the means of fictional facts and default litigant objects.

For details, please refer to the Significant Lawsuit Announcement of CSG (No.2012-052) disclosed at [www.cninfo.com.cn](http://www.cninfo.com.cn).

## 2.Acquisition of assets

To ensure the raw material supply for production base of Yichang fine Glass of CSG, the Company planned to invest production line for ultra-thin glass in Yichang. By field visit, it is found that the land and supporting facilities currently possessed by Yichang Hejing Photoconductive Ceramics Co., Ltd. beside the production base of Yichang CSG Polysilicon could meet the relevant requirements. Approved by the board of directors, CSG purchased 73.58% shares of Yichang Hejing Photoconductive Ceramics Co., Ltd. and became the controlling shareholder. The acquisition would enable the Company to effectively integrate the resources and give full play to synergistic effects of management.

Counterparty or ultimate controlling party	Purchased or placed into assets	Transaction price (RMB 0,000)	Progress	Whether it is related transaction
Taichang Investment Co., Ltd., Shenzhen Baoteng Hengfu Chuangye Investment Co., Ltd.	73.58% shares of Yichang Hejing Photoconductive Ceramics Co., Ltd.	6,180.72	The acquisition agreement was signed on 11th, Dec., 2012, and the procedures of equity transfer were completed in Jan., 2013.	No

## 3. Repurchase Part of Domestic-listed Foreign Shares (B-share)

On 6 August 2012, the First Extraordinary Shareholders' General Meeting 2012 deliberated and approved the proposal of "repurchasing part of the domestically listed foreign shares (B-share) of the Company". The company will repurchase no more than 200 million "B" shares with less than HKD 6 per share by centralized price bidding in Shenzhen Stock Exchange after putting on file in relevant regulatory bureau and gaining approval from relevant of authorized commerce and State Administration of Foreign Exchange. The repurchase term will be effective within 12 months since the approved date of shareholders' general meeting. In October 2010, the Company issued corporate bonds. According to Trial Measures for Corporate Bonds and CSG Bondholders Meeting Regulations 2010, effective resolutions should be made in bondholders meeting when reduction of company capital involved. As a bondholder China Merchants Securities co., LTD called the first bondholders meeting of 2012 on 11 December 2012. Because the bill failed to get approval of 1/2 or more of the total voting rights on behalf of bond holders, the meeting hasn't formed any effective resolution. Therefore, the Company would face the risk of being asked to pay off debt ahead of time by bondholders if repurchased B shares, which will bring larger losses to the company, the bond trustee China Merchants Securities co., LTD. shall continue to communicate with the bond holders. For details, please refer to the related announcement disclosed at China Securities Journal, Securities Times, Hong Kong Commercial Daily and [www.cninfo.com.cn](http://www.cninfo.com.cn) on 20 July 2012, 7 August 2012 and 12 December 2012.

## 4. Short-term Financing Bonds

On 15 April 2011, annual shareholders' general meeting 2010 of CSG Holding Co., Ltd. considered and passed the proposal of publishing short-term financing bills, agreed the Company's application for publishing short-term financing bills with total amount of RMB 0.7 billion. On 5 August 2011, the registration committee of Chinese inter-bank market dealers association held the thirty-fourth registration meeting of 2011, decided to accept the registration of short-term financing bills with total amount of RMB 0.7 billion and expiry on 12 August 2013. The short-term financing bills co-lead managed by China Construction Bank Co., Ltd. and China Merchants Bank Co., Ltd., publicly issue to



institutional investors of China's inter-bank bond market by bookkeeping, book building, centralizing and placing, and could be issued by stages within the validity period of registration. On 15 September 2011, the Company successfully published short-term financing bills with total amount of RMB 0.7 billion and deadline of 365 days.

On 6 August 2012, the First Extraordinary Shareholders' General Meeting 2012 of CSG Holding Co., Ltd deliberated and approved the proposal of short-term financing bills offering with application of short-term financing bill within RMB 2.2 billion limit. On 11 January 2013, National Association of Financial market Institutional Investors held its 1st registration meeting of 2013, in which NAFMII decided to accept the Company's short-term financing bonds registration, amounting to RMB 1.1 billion, valid until January 25, 2015. China Merchants Bank Co., Ltd, and Shanghai Pudong Development Bank Co., Ltd were joint lead underwriters of these short-term financing bonds, which could be issued by stages within the validity period of registration. On 7 March 2013, the Company issued the first batch of short-term financing bonds with a total amount of RMB 1.1 billion, period for one year.

For details, please refer to [www.chinabond.com.cn](http://www.chinabond.com.cn) and [www.chinamoney.com.cn](http://www.chinamoney.com.cn).

### III. Commitments made by the Company or shareholders holding above 5% shares of the Company in the report period or extending to the report period.

Commitments	Promisee	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform	The original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xin 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 Xin 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 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	2006-05-22	N/A	By the end of the report period, the above shareholders of the Company have strictly carried out their promises.

		decreasingly-held plan and take information disclosure responsibility timely.			
Commitments in report of acquisition or equity change					
Commitments in assets reorganization					
Commitments in initial public offering or re-financing					
Other commitments for medium and small shareholders					
Completed on time or not	Yes				
Detail reasons for un-complement and further plan	Not applicable				
Whether made a promise to horizontal competition and related transactions that resulted or not	Yes				
Solution term promised	Long-term effective				
Solution way	Not applicable				
Complementation	Fulfilling				

#### IV. Prediction of business performance for Jan.-Jun. 2013

Alert of loss or significant change in net profit from the beginning of year to the end of next report period or compared with the same period of last year, and statement of causations.

☐ Applicable    ☒ Non applicable

#### V. Reception of researches, communications, or interviews in the report period

Date	Place	Way	Type	Visitors	Main content involved and material provided
2013-01-10	Conference room of the Company	Field research	Institute	China Merchants Securities Co., Ltd., GF Securities Co., Ltd., E Fund Management Co., Ltd., China Southern Asset management Co., Ltd., Shenzhen Capital Co., Ltd., Guotai Junan Securities Asset Management Co., Ltd., Happy Life Insurance Co., Ltd., Bosera Funds	Introduced the operation condition of the Company disclosed.

**Board of Directors of**

**CSG Holding Co., Ltd.**

**25 April 2013**