

CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2007



CEO: ZENG NAN

April 2007

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 2007 has not been audited.
- v Chairman of the Board of the Company Mr. Li Jingqi, CEO Mr. Zeng Nan and CFO Mr. Luo Youming hereby confirm that the Financial Report of the First Quarter Report 2007 is true and complete.
- vi This Report is prepared both in Chinese and in English. Should there be any difference in interpretation of the text between the two versions, the Chinese version shall prevail.

II Company Profile

i Main Accounting Data Financial Indexes

Unit: RMB'000

	<u>31 March 2007</u>	<u>31 December 2006</u>	<u>Increase/decrease from the end of 2006 (%)</u>
Total assets	6,841,330	6,776,323	0.96%
Shareholders' equity	3,014,756	2,944,811	2.38%
Equity per share	RMB 2.97	RMB 2.90	2.41%
			<u>Increase/decrease from the same period of 2006 (%)</u>
	<u>From 1 January to 31 March 2007</u>		
Net cash generated from operating activities		148,781	79.55%
Net cash generated from operating activities per share		0.15	87.50%
	<u>The 1st quarter of 2007</u>	<u>From 1 January to 31 March 2007</u>	<u>Increase/decrease from the same period of 2006 (%)</u>
Profit attributable to equity holders of the Company	54,791	54,791	16.20%
Earning per share	RMB 0.054	RMB 0.054	17.39%
Return on equity (%)	1.82%	1.82%	-0.04 percentage points

- ii Total number of shareholders and statement of shares held by the top ten shareholders with unrestricted conditions at the end of the report period.

Total number of shareholders at the end of report period: 48,920 (including 20,977 of A-share and 27,943 of B-share)

Shares held by the top ten shareholders of circulating shares:

<u>Name</u>	<u>Amount of unrestricted shares held</u>	<u>Type</u>
Value Partners Classic Fund	13,067,713	B
Yinhe-Bank of Communications-Nikko Asset Management Co, Ltd Nikko AM Chinese RMB A-share Parent Fund	12,500,748	A
Industrial and Commercial Bank of China-Fuguo Tianhui Selective Growth Blend Securities Investment Fund (LOF	10,755,500	A
HTHK-Value Partners Intelligent FD-China B SHS FD	9,140,946	B
UBS Warburg Custody Pte. Ltd. Swiss Bank Ltd.	9,113,652	B
Bony-Dreyfus Pifi-Dreyfus Premier Greater China	8,570,996	B
Industrial and Commercial Bank of China-Nuo'an Value Growth Securities Investment Fund	7,510,516	A
FI-Cibluxe S/A SBCL	5,563,664	B
Agricultural bank of China-Baoying Strategy Growth Stock Securities Investment Fund	5,498,621	A
Merrill Lynch Pierce Fenner & Smith INC	5,288,173	B

III Significant events

- i Particulars about material changes in items of main accounting statement and financial index, and explanations of reasons

Applicable Non-applicable

- 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

Commitments on Prospectus of Share Merger Reform of CSG Holding Co., Ltd. by non-tradable shareholders of the Company:

- (i) Since the date of the implementation of Share Merger Reform, no transaction or transfer is allowed in the market within 12 months;
- (ii) 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 (i) 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.

By the end of the report period, the original non-tradable shareholders of the Company have strictly carried out their promises

- iv Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason

Applicable Non-applicable

- v Differences between the shareholders' equity in period-begin of 2007 listed in balance sheet of the quarterly report and shareholders' equity in period-begin of 2007 listed in Reconciliation Statement on Differences of Shareholders' Equity Based on Old and New Accounting Standards, and explanations of reasons.

Applicable Non-applicable

IV Financial Statement

CSG HOLDING CO., LTD. CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2007

	<u>The 1st quarter of 2007</u>	<u>The 1st quarter of 2006</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	797,703	559,357
Cost of sales	(543,753)	(397,807)
Gross profit	253,950	161,550
Distribution costs	(66,891)	(43,638)
Administrative expenses	(68,045)	(37,981)
Other gains, net	697	1,334
Operating profit	119,711	81,265
Finance costs, net	(40,536)	(16,303)
Profit before income tax	79,175	64,962
Income tax expense	(8,976)	(7,493)
Profit for the report period	70,199	57,469
Attributable to:		
Equity holders of the Company	54,791	47,154
Minority interest	15,408	10,315
Earnings per share for profit attributable to the equity holders of the Company during the report period		
-Basic/Diluted (RMB per share)	0.054	0.046

CSG HOLDING CO., LTD.
CONSOLIDATED BALANCE SHEET
AS OF 31 MARCH 2007

	<u>31 March 2007</u>	<u>31 December 2006</u>
	<u>RMB'000</u>	<u>RMB'000</u>
ASSETS		
Non-current assets		
Property, plant and equipment	5,392,182	5,223,044
Land use rights	206,801	215,945
Intangible assets	47,063	17,896
Investment in an associate	6,765	6,765
Deferred income tax assets	2,232	1,482
Available-for-sale financial assets	9,078	9,078
Prepayment for land use rights	22,769	15,001
	<u>5,686,890</u>	<u>5,489,211</u>
Current assets		
Inventories	309,791	249,417
Properties held for sale	72,137	72,077
Trade and other receivables	484,891	424,862
Derivative financial instruments	-	1,985
Pledged bank deposits	25,042	58,304
Cash and cash equivalents	262,579	480,467
	<u>1,154,440</u>	<u>1,287,112</u>
Total assets	<u><u>6,841,330</u></u>	<u><u>6,776,323</u></u>
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,015,463	1,015,463
Other reserves	962,881	975,837
Retained earnings	708,751	641,211
	<u>2,687,095</u>	<u>2,632,511</u>
Minority interests in equity	<u>327,661</u>	<u>312,300</u>
Total equity	<u>3,014,756</u>	<u>2,944,811</u>
LIABILITIES		
Non-current liabilities		
Other payable	45,000	45,000
Borrowings	720,875	717,042
	<u>765,875</u>	<u>762,042</u>
Current liabilities		
Trade and other payables	1,107,604	960,230
Current tax liabilities	30,274	31,266
Borrowings	1,900,913	2,056,888
Derivative financial instruments	884	1,013
Provisions for other liabilities and charges	21,024	20,073
	<u>3,060,699</u>	<u>3,069,470</u>
Total liabilities	<u>3,826,574</u>	<u>3,831,512</u>
Total equity and liabilities	<u><u>6,841,330</u></u>	<u><u>6,776,323</u></u>

CSG HOLDING CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2007

	<u>The 1st quarter of</u> <u>2007</u>	<u>The 1st quarter of</u> <u>2006</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Cash flows from operating activities		
Cash generated from operations	187,665	112,071
Interest paid	(33,946)	(23,803)
Income tax paid	(4,938)	(5,405)
Net cash from operating activities	<u>148,781</u>	<u>82,863</u>
Cash flows from investing activities		
Investment in an associate		
Payments for acquisition of property, plant and equipment	(237,007)	(189,942)
Proceeds from sale of property, plant and equipment	20	483
Payments for acquisition of land use rights	(20,680)	(5,000)
Payments for acquisition of intangible assets	(8)	(176)
Acquisition of minority interest	-	-
Interest received	435	330
Net cash used in investing activities	<u>(257,240)</u>	<u>(194,305)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,973,142	556,494
Repayments of borrowings	(2,111,997)	(477,599)
Payments of bonds issuance costs	(3,200)	-
Dividends paid to Company's shareholders	-	(5)
Dividends paid to minority shareholders	-	-
Capital contributed by minority shareholders	-	-
Pledged bank deposits (placed)/withdrawn	33,126	(5,004)
Net cash generated from financing activities	<u>(108,929)</u>	<u>73,886</u>
Net increase/(decrease) in cash and cash equivalents	<u>(217,388)</u>	<u>(37,556)</u>
Cash and cash equivalents at beginning of the report period	<u>480,467</u>	<u>227,763</u>
Exchange losses on cash	(500)	152
Cash and cash equivalents at the end of the report period	<u>262,579</u>	<u>190,359</u>

Board of Directors of
CSG Holding Co., Ltd.
20 April 2007