CSG HOLDING CO., LTD.

2010 ANNUAL REPORT

Chairman of the Board:

ZENG NAN

March 2011

Important Note

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.

PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd audited the Annual Financial Report 2010, and issued standard and unqualified Auditor's Report for the Company.

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 2010 Annual Report is true and complete.

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.

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§1 Company Profile

I. Registered Name of the Company
In Chinese: 中国南玻集团股份有限公司（Abbr: 南玻集团）
In English: CSG Holding Co., Ltd. (Abbr: CSG)

II. Legal Representative: Zeng Nan

III. Secretary of the Board of Directors: Wu Guobin
Securities Affairs Representative: Zhou Hong
Address: CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, P.R.C.
Tel: (86) 755-26860666
Fax: (86) 755-26692755
E-mail: securities@csgholding.com

IV. Registered office address of the Company: CSG Building, No.1, the 6th Industrial Road, Shekou, Shenzhen, P. R. C.
Post Code: 518067
Company's website: http://www.csgholding.com
E-mail: csg@csgholding.com

V. Newspapers for disclosing the information: Securities Times, China Securities Journal, and Hong Kong Commercial Daily.
Website for publishing the Annual Report: http://www.cninfo.com.cn
The place where the Annual Report is prepared and kept: Securities Department of the Company

VI. Stock Exchange Listed with: Shenzhen Stock Exchange
Short form of the stock and stock code (A-share): Southern Glass A (000012)
Short form of the stock and stock code (B-share): Southern Glass B (200012)

VII. Other Information about the Company
i Initial business registration date: September 10, 1984
ii Initial registration authority: Shenzhen Administration for Industry and Commerce
iii Business license number: 440301501125544
iv Reference number of tax: 440301618838577
v Code of Organization Certificate: 61883857-7
vi Certified public accountants engaged by the Company
Name: Pricewaterhouse Coopers Zhongtian Certified Public Accountants Co., Ltd.
Address: 11/F, PricewaterhouseCoopers Center, No.202 Hubin Rd. Shanghai, P.R.C.

§2 Financial Data Highlights

I. Major accounting highlights as of the year 2010

Unit: RMB

Operating profit	1,833,110,220
Total profit	1,865,346,701
Net profit attributable to equity holders of the Company	1,455,209,218
Net profit attributable to equity holders of the Company after extraordinary gains and losses	1,386,137,343
Net cash flows from operating activities	2,366,313,914
Items of extra ordinary gains and losses:	
Gains and losses on disposal of non-current assets	-11,165,417
Government subsides recognized as gains and losses	33,675,322
Gains on disposal of available-for-sale financial assets	9,055,042
Net income of Share Transfer	40,359,075
Net value of other non-operating expenses	9,726,576
Tax effects	-11,578,309
Extraordinary gains and losses of minority interests (after tax)	-1,000,414
Total:	69,071,875

II. Major accounting data over the past three years

Unit: RMB

	Year 2010	Year 2009	Percentage change between 2010 and 2009	Year 2008
Revenue	7,743,941,694	5,279,100,133	46.69%	4,273,375,853
Total profit	1,865,346,701	989,064,781	88.60%	502,035,458
Net profit attributable to equity holders of the Company	1,455,209,218	831,944,393	74.92%	420,079,848
Net profit attributable to equity holders of the Company after extraordinary gains and losses	1,386,137,343	881,934,137	57.17%	350,296,529
Net cash flows from operating activities	2,366,313,914	1,670,237,426	41.68%	1,030,211,774
	31 Dec. 2010	**31 Dec. 2009**	**Percentage change on 31 Dec. 2010 compared to 31 Dec. 2009**	**31 Dec. 2008**
Total assets	12,469,619,167	10,913,350,017	14.26%	10,376,061,066
Total equity attributable to equity holders of the Company	6,384,871,209	5,315,523,161	20.12%	4,544,606,539
Capital	2,076,721,060	1,223,738,124	69.70%	1,237,103,124

III. Major financial indices over the past three years

Unit: RMB

	2010	2009	Percentage change between 2010 and 2009	2008
Basic earnings per share Note B	0.70	0.40	75.00%	0.21
Diluted earnings per share Note B	0.70	0.40	75.00%	0.21
Earnings per share calculated based on latest share capital	0.70	-	-	-
Basic earnings per share after extraordinary gains and losses Note B	0.67	0.42	59.52%	0.17
Weighted average return on equity (%)	25.04%	16.86%	Increase 8.18 percentage points	9.77%
Weighted average return on equity after extraordinary gains and losses (%)	23.85%	17.87%	Increase 5.98 percentage points	8.14%
Net cash flows from operating activities per share	1.14	1.36	-16.186%	0.83
	31 Dec. 2010	**31 Dec. 2009**	**Percentage change on 31 Dec. 2010 compared to 31 Dec. 2009**	**31 Dec. 2008**
Total assets per share for equity holders of the Company	3.07	4.34	-29.26%	3.67

***Note A**: On 28 January 2011, the Company bought back and wrote off restricted A share amounted to 578,000 shares which have not been released held by 7 resigned incentive staffs. Therefore, the total shares of the Company changed to 2,076,143,060 shares from 2,076,721,060 shares since 28 January 2011.*

***Note B**: The financial data in the same period 2008 & 2009 have been adjusted as new paid-in capital.*

§3 Change in Share Capital and Particulars about the Shareholders

I. Change in share capital

i. In the report period, the change on share capital are as follows:

Unit: Share

	Before the change		**Increase/Decrease in the period (+/−)**			**After the change**	
	Amount	Proportion	Capitalization of public reserve	Other	Sub-total	Amount	Proportion
I. Restricted shares	208,275,000	17.02%	145,062,750	-313,686,237	-168,623,487	39,651,513	1.91%
1) State-owned shares	0	0	0	0	0	0	0
2) State-owned legal person's shares	80,000,000	6.54%	56,000,000	-136,000,000	-80,000,000	0	0
3) Other domestic shares	128,275,000	10.48%	89,062,750	-179,189,750	-90,127,000	38,148,000	1.84%
Including:							
- Domestic legal person's shares	92,500,000	7.56%	64,750,000	-157,250,000	-92,500,000	0	0
- Domestic natural person's shares	35,775,000	2.92%	24,312,750	-21,939,750	2,373,000	38,148,000	1.84%
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
5) Senior executive shares	0	0	0	1,503,513	1,503,513	1,503,513	0.07%
II. Unrestricted shares	1,015,463,124	82.98%	710,824,186	310,782,237	1,021,606,423	2,037,069,547	98.09%
1) RMB Ordinary shares	566,884,305	46.32%	396,819,013	310,782,237	707,601,250	1,274,485,555	61.37%
2) Domestic listed foreign shares	448,578,819	36.66%	314,005,173	0	314,005,173	762,583,992	36.72%
3) Overseas listed foreign shares	0	0	0	0	0	0	0
4) Others	0	0	0	0	0	0	0
III. Total shares	1,223,738,124	100%	855,886,936	-2,904,000	852,982,936	2,076,721,060	100%

ii. The changes of restricted shares in the report period

Unit: Share

Name of the restricted shareholders	Restricted amount held in the year-begin	Amount converted to tradable in 2010	Amount of restricted shares increased in 2010	Restricted amount held at the year-end	Reason of be restricted	Date of the rest conversions
China Ping An Trust & Investment Co., Ltd.	80,000,000	136,000,000	56,000,000	0	Due to Private placement	2010.10.20
Citic Securities Co., Ltd.	80,000,000	136,000,000	56,000,000	0	Due to Private placement	2010.10.20
CIL Holdings Limited	6,250,000	10,625,000	4,375,000	0	Due to Private placement	2010.10.20
Zhejiang Silicon Paradise Pengcheng Venture & Investment Co., Ltd.	6,250,000	10,625,000	4,375,000	0	Due to Private placement	2010.10.20
Zeng Nan	3,000,000	1,099,612	2,100,000	4,000,388	Senior executive shares and Stock Incentive	2010.6.25
Luo Youming	1,200,000	510,000	840,000	1,530,000	Senior executive shares and Stock Incentive	2010.6.25
Ke Haiqi	1,200,000	510,000	840,000	1,530,000	Senior executive shares and Stock Incentive	2010.6.25
Zhang Fan	1,200,000	510,000	840,000	1,530,000	Senior executive shares and Stock Incentive	2010.6.25
Wu Guobin	1,200,000	510,000	840,000	1,530,000	Senior executive shares and Stock Incentive	2010.6.25
Lu wenhui	450,000	191,250	315,000	573,750	Senior executive shares and Stock Incentive	2010.6.25
Ding Jiuru	1,125,000	478,125	787,500	1,434,375	Senior executive shares and Stock Incentive	2010.6.25
Key staffs	26,400,000	13,723,250	14,846,250	27,523,000	Senior executive shares and Stock Incentive	2010.6.25

Note A*: The change on restricted shares in the report period are due to the implementation of Annual Profit Distribution in 2009 and the releasing of restricted shares.*

Note B: *In January 2010, the range of tradable shares held by executives have been re-category, 137,559 executive's resticted shares held by Mr. Zeng Nan, Chairman and CEO of the Company, were assigned to the range of 25% tradable shares in January 2010.*

iii. Share issuance and listing over the past three years.

(i) The Company privately issued 172.5 million CSG A-shares to 4 specific investors in October 2007 with the issuing price of 8 Yuan per share which raised RMB 1.38 billion (including the issuing expense) in total. The listing date of the new shares was 15 October 2007, and the restricted trading period was 36 months. After the private issuance, the total shares capital of the Company was increased to 1,187,963,124 shares from 1,015,463,124 shares. The restricted shares issued privately have been on trading on 20 October 2010.

(ii) According to Restricted A Share Incentive Plan, the Company has accomplished the grant for these restricted shares on 14 July 2008. That was, the Company issued 49.14 million restricted A-shares in total to 244 specific employees privately, at price of RMB 8.58 per share, and raised fund of RMB 421,621,200. The granted day of the restricted shares was 16 June 2008. After the issuance, the total share capital of the Company was increased up to 1,237,103,124 shares from 1,187,963,124 shares. More details can be found in V. Procceding of option incentive in §9 Important Events carried in this report.

(iii) The Company implemented 2009 Profit Distribution Plan on 13 May 2010: Based on the total share capital 1,222,695,624 shares of the Company at that time, distributed RMB 3.50 (tax included) to every shareholder for each 10 shares held. Meanwhile, the conversion of share capital from capital reserve were taken, in which 7 shares were converted for every 10 shares held. Total share capital of the Company will increase to 2,078,582,560 shares from 1,222,695,624 after plan implementation.

II. Particulars about the major shareholders and actual controller

i. Particulars about the shareholders and shares held

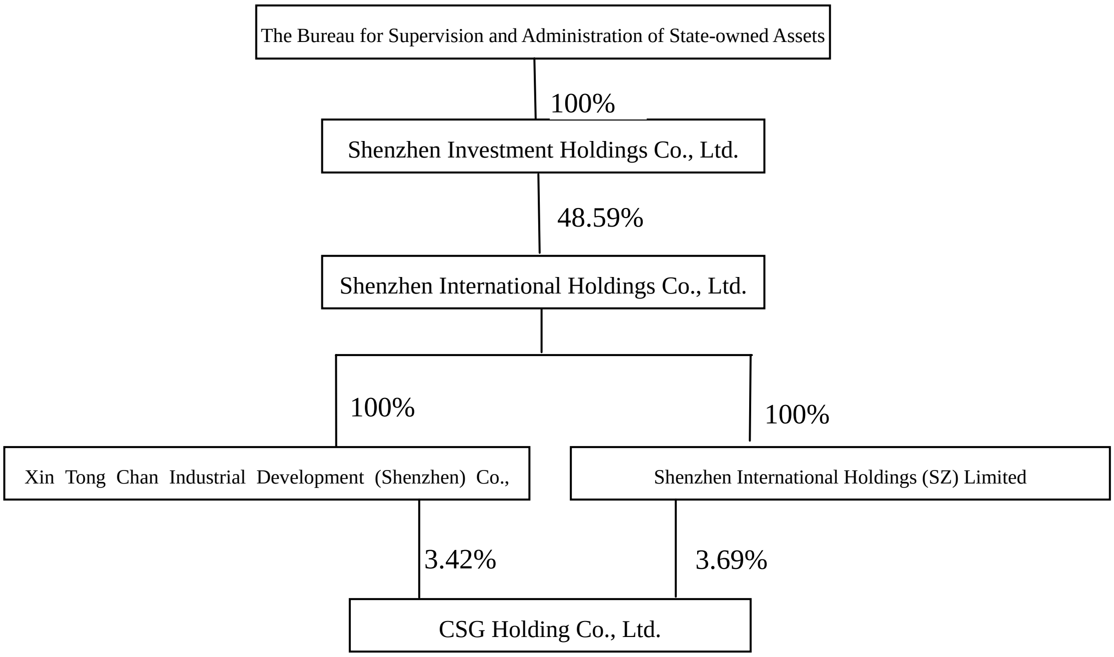
Total shareholders:	203,596 shareholders (including 158,604 shareholders of A-share, 44,992 shareholders of B-share)					
Particulars about the shares held by the top ten shareholders						
	Name of shareholder	**Nature of shareholders**	**Total shares held (Unit: Share)**	**Proportion in total (%)**	**Restricted shares held (Unit: Share)**	**Shares pledged or frozen**
①	Shenzhen International Holdings (SZ) Limited	-	76,670,000	3.69%	0	0
②	China Northern Industries Corporation	State-funded shareholder	75,167,934	3.62%	0	0
③	Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	-	71,120,000	3.42%	0	0
④	China Ping An Trust & Investment Co., Ltd.	-	60,035,000	2.89%	0	0
⑤	China Construction Bank - Yinhua Core Value Select Stock Fund	-	58,600,000	2.82%	0	0
⑥	ICBC－Huitianfu Balance Growth Stock Fund	-	39,360,517	1.90%	0	0
⑦	China Construction Bank – Yinhua - Dow Jones China 88 Select Equity Fund.	-	24,676,086	1.19%	0	0
⑧	GuoTaiJunAn Securities(HongKong) Limited	Foreign-funded shareholder	20,970,946	1.01%	0	0
⑨	China Construction Bank－Manulife Teda Market Selected Stock Fund	-	15,000,000	0.72%	0	0
⑩	Invesco Funds Series 5	Foreign-funded shareholder	14,659,658	0.71%	0	0
Statement on associated relationship or consistent action among the above shareholders:	Among shareholders as listed above, the 1st and the 3rd shareholders are holding enterprises of Shenzhen International Holdings Limited. And the 5th and the 7th shareholders are the Fund managed by Yinhua Fund Management 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.					

Note: *The shares held by top ten unrestricted shareholders are the same as above particulars.*

ii. The first shareholder of the Company

The first majority shareholder 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.. The company, and its affiliated companies, associated companies and jointly controlled companies, are mainly engaged in ancillaries service and construction in logistics, as well as investment, operation and management of related assets and projects.

By the end of year 2010, the proportion of the Company's shares held by Shenzhen International Holdings Co., Ltd. was 7.11%. The ownership structure between the actual controller and the Company is as follow:



The Company has no actual controller at present, and Shenzhen International Holding Co., Ltd. was the first majority shareholder of the Company. Other shareholders of the Company held less than 5% of total shares at the end of this report period.

iii. There were no other corporate shareholders holding more than 10% of total shares in the Company.

§4 Particulars about the Directors, Supervisors, Senior Executives and Employees

I. Directors, supervisors and senior executives

i. Basic information

Name	Title	Gender	Age	Term	Shares held at the year-begin	Shares held at the year-end	Reason for change
Zeng Nan	Chairman of the Board/ CEO	Male	66	2008.4～2011.4	3,137,559	4,500,388	*(Note A)*
Chen Chao	Independent Director	Male	55	2008.4～2011.4	—	—	
Wang Tianguang	Independent Director	Male	38	2008.4～2011.4	—	—	
Xie Rudong	Independent Director	Male	53	2008.4～2011.4	—	—	
Li Jingqi	Director	Male	54	2008.4～2011.4	—	—	
Yan Ganggang	Director	Male	51	2008.4～2011.4	—	—	
Guo Yongchun	Director	Male	43	2008.4～2011.4	—	—	
Zhang Liqing	Director	Male	44	2008.4～2011.4	28,700 *(Note B)*	48,790 *(Note B)*	
Wu Guobin	Director/ Vice President/ Secretary of the Board	Male	46	2008.4～2011.4	1,200,000	1,810,000	*(Note A)*
Yang Hai	Chairman of the Supervisory committee	Male	49	2008.4～2011.4	—	_	
Zhang Dongjun	Supervisor	Male	38	2008.8～2011.4	—	—	
Sun Jingyun	Supervisor	Female	45	2008.4～2011.4	—	—	
Luo Youming	Chief Financial Officer	Male	48	2008.4～2011.4	1,200,000	1,790,000	*(Note A)*
Ke Hanqi	Vice President	Male	45	2008.4～2011.4	1,200,000	1,730,000	*(Note A)*
Zhang Fan	Vice president	Male	45	2008.4～2011.4	1,200,000	1,530,000	*(Note A)*
Lu wenhui	Vice president	Male	47	2009.10～2011.4	450,000	573,750	*(Note A)*
Ding Jiuru	Vice president	Male	48	2008.4～2011.4	1,125,000	1,534,375	*(Note A)*

***Note A**: Annual Profit Distribution 2009.*

***Note B**: These shares are all B-shares.*

ii. Major working experiences and positions

(i) Particulars about the directors and supervisors holding the post in the shareholder's company and other correlated companies.

Name	Name of the company	Title in the company	Term	Receiving remuneration & allowance or not
Li Jingqi	Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	Director	2002.9 to now	No
Li Jingqi	Shenzhen International Holdings (SZ) Limited	Director	2003.12 to now	No
Li Jingqi	Shenzhen International Holdings Co., Ltd.	Executive Director / President, Vice-Secretary of the Party Committee	2006.8 to now	Yes
Guo Yongchun	China Northern Industries Corporation	Manager of Investment Department	2010.11 to now	Yes
Zhang Liqing	China Ping An Trust & Investment Co., Ltd.	Vice General Manager	2006.8 to now	Yes
Yang Hai	Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd.	Director	2000.3 to now	No
Yang Hai	Shenzhen International Holdings Co., Ltd.	Executive Director	2007.8 to now	No
Zhang Dongjun	Citics Securities Co., Ltd.	Chief Supervisor of Capital Operation Department	2007.1 to now	Yes

(ii) Major work experience of directors, supervisors and senior executives and particulars about holding the posts or concurrent posts in other companies apart from the shareholder company

Zeng Nan, took posts of Director General Manager, Director President and Vice Chairman of the Board in the Company. At present, he is the Chairman of the Board and CEO of the Company.

Chen Chao, took posts of Chairman of the board of former Yiwan Industrial Development (Shenzhen) Co., Ltd., Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd. and Shenzhen Expressway Co., Ltd., Vice-chairman and President of Shenzhen International Holdings Co., Ltd., Chairman of the board of the Company, the Chairman of Shenzhen Tonge Group, Chairman of the board of Shenzhen United Assets and Equity Exchange Co., Ltd.. At present, he is director of Shenzhen Expressway Engineering Consultants Co., Ltd..

Wang Tianguang, took posts of Section Vice Chief of Supervision Department of Listed Company in Shenzhen Securities Supervisory Bureau, General Manger of Investment Banking Department of China Galaxy Securities Co., Ltd. At present, he is the CEO of Investment Banking Department of Southwest Securities Co., Ltd..

Xie Rudong, took posts of Chief Lawyer of Guangdong International Trust & Investment Co., Ltd, China Legal Counselor of Johnson Stokes & Master, Director General Manager of China Law and Investment Corporation, Director General Manager of Jindong Financing & Investment Co., Ltd, Director General Manager of Jingtai Securities & Investment Co., Ltd., Director General Manager of Fuwan Assets Management Ltd. Now, he is the President of China-link Capital Management Ltd.

Li Jingqi, took posts of Vice President of Shenzhen International Holding Co., Ltd. and

Chairman of the Board in the Company. At present, besides taking the post in the shareholder’s company and other related companies, he concurrently holds posts of Director of Shenzhen Expressway Company Ltd.

Yan Ganggang, took post of the Legal Representative of Guangdong Liang and Yan Law Office. At present, he is the Lawyer of Guangdong Zhongzhen Law Office.

Guo Yongchun, took posts of Section Chief of Operational Management Department of China Northern Industries Corporation, Director of Information Department of China Northern Industries Corporation, General Manager of North Exhibition & Ads Company, General Manager of Investment II Division of China Northern Industries Corporation and post of Chairman of Chengdu Yihe Dynasty Hotel Co., Ltd.. At present, he takes the post of Manager of Investment Division of China Northern Industries Corporation (corporate shareholder of the Company).

Zhang Liqing, took posts of Associate General Manager of Financial Department in Property Insurance of China Ping An Insurance Co., Ltd, General Manager of Financial Department in Life Insurance of China Ping An Insurance Co., Ltd, Associate Dean of Strategic Development Center of China Ping’an Insurance Co., Ltd, Associate General Manager of Ping An Securities Co., Ltd. At present, he is the Associate General Manager of China Ping An Trust & Investment Co., Ltd. (corporate shareholder of the Company).

Wu Guobin, took posts of Assistant to the General Manager of the Company. At present, he is Director, Vice-president, Secretary of Board of Directors and President of Architectural Glass Industry Department in the Company as well as the Director of Guangdong Golden Glass Technologies Co., Ltd..

Yang Hai, took posts of Vice General Manager of Shenzhen Expressway Co., Ltd., General Manager of former Yiwan Industrial Development (Shenzhen) Co., Ltd. and Vice President of Shenzhen International Holdings Ltd. At present, besides taking the post in the shareholder’s company and other related companies, he concurrently holds posts of Chairman of the Board of Shenzhen Expressway Co., Ltd..

Zhang Dongjun, took posts of Planning and Financial Department, Brokerage Business Department of Citic Securities Co., Ltd.. At present, he is the Chief Supervisor of Capital Operation Department of Citic Securities Co., Ltd. (corporate shareholder of the Company).

Sun Jingyun, took posts of the Director of Foshan Pessenger Coach Station of Yangcheng Railway General Company, Guangzhou Railway Group Co., Ltd.; vice-station master of Foshan Coach Station of Guangdong Sanmao Railway Holding Co., Ltd. and took in charge of the whole work in the station. At present, she is the Director of CEO Office.

Luo Youming, took posts of Assistant Chief Financial Officer of the Company. At present, he is Chief Financial Officer in the Company.

Ke Hanqi, took posts of General Manager of Fine Glass Department of the Company. At present, he is Vice President of the Company and President of Solar Energy Industry Department in the Company.

Zhang Fan, took posts of General Manger of Shenzhen CSG Electronics Co., Ltd., General Manager of Shenzhen CSG Glass Co., Ltd., General Manager of Float Glass Department of the Company and Assistant to the President of the Company. At present, he is Vice President of the Company and President of Flat Glass Industry Department in the Company.

Lu Wenhui, took posts of Vice President of Solar Energy Industry Department and Fine Glass and Ceramics Industry Department in the Company, Chief Economist of the Company, Assistant President of the Company. At present, he is Vice President of the Company and President of Fine Glass and Ceramics Industry Department in the Company as well as the General Manager of Shenzhen CSG Display Technology Co., Ltd. and General Manager of Shenzhen New Sight Photoelectricity Technology Co., Ltd..

Ding Jiuru, took posts of Deputy General Manager, Chief Accountant of China North Industries Corporation; Director, Manager of Financial Department and Chief Economist of the Company. At present, he is Vice President of the Company.

iii. Particulars about the annual remuneration

(i) The annual remuneration of the senior executives is decided by the Board of Directors of the Company and carried out under the system of basis salary plus floating premium binding with the achievements. The premium is decided by the annual return on equity. It takes the annual net profit total after taxation as the assessment basis, and withdraws the premium of achievements with proportion.

(ii) Particulars about the annual remuneration of directors, supervisors and senior executives paid by the Company (before taxes)

Name	Title	Total annual remunera-tion (RMB'0000)	Amount of restricted shares at beginning of period (10,000 shares)	Changes in the report period (10,000 shares)	Amount of restricted shares at the end of period (10,000 shares)
Zeng Nan	Chairman of the Board / CEO	146.47	300	100.04	400.04
Cheng Chao	Independent Director	10	—	—	—
Wang Tianguang	Independent Director	10	—	—	—
Xie Rudong	Independent Director	10	—	—	—
Li Jingqi	Director	—	—	—	—
Yan Ganggang	Director	—	—	—	—
Guo Yongchun	Director	—	—	—	—
Zhang Liqing	Director	—	—	—	—
Wu Guobin	Director/ Vice-president / Secretary of Board of Directors	109.91	120	33	153
Yang Hai	Chairman of the Supervisory committee	—	—	—	—
Zhang Dongjun	Supervisor	—	—	—	—
Sun Jingyun	Supervisor	42.92	—	—	—
Luo Youming	Chief Financial Officer	110.07	120	33	153
Ke Hanqi	Vice President	109.96	120	33	153
Zhang Fan	Vice president	108.65	120	33	153
Lu Wenhui	Vice president	108.12	45	12.38	57.38
Ding Jiuru	Vice president	104.17	112.5	30.94	143.44
Total	-	870.27	937.5	275.35	1,212.85

Note: *The reason of the change on restricted shares is implementation of Annual Profit Distribution 2009 and unlocking restricted shares. The details would be found in "V Proceeding of option incentive" of §9 Significant Matters.*

iv. Changing of directors, supervisors and senior executives

The original staff supervisor Mr. Liu Yongsheng resigned for business. On 19 April 2010, Ms. Sun Jungyun was elected as the staff's representative supervisor of the 5th Supervisory Committee on the 1st Workers Congress of 2010.

II. Employee of the Company

Categories	Number of person	Proportion
Production personnel	9,018	76.95%
Technical personnel	1,224	10.44%
Administrative personnel	625	5.33%
Marketing personnel	708	6.05%
Financial personnel	144	1.23%
Total	11,719	100%

There were 3,900 employees received college, accounting 33.28% of the total employees. In the report period, there were no retirees that the Company had the responsibility to pay.

§5 Corporate Governance Structure

I. Corporate Governance

By strictly conforming to the requirements and standards of the relevant laws and regulations issued by the CSRC, the Company continuously improved the corporate governance structure, established a modern corporate system and standardized operations. In the report period, the main work is following:

(i) According to requirements of Notice of Lauching Standardize Specific Activities of Basic Works Fully on Financial Accounting in the Listing Company Located in Shenzhen Area (SZJF[2010] No. 109) issued by Shenzhen Securities Regulatory Bureau, the Company made out the work plan on the above mentioned special activity in April 2010. Besides, the Company carried out a deeply self-inspection on basic work of financial accounting in the range of the Company and all controlling subsidiaries according to the work plan. As the results of self-inspection, the Company has met the requirements of relevant regulations and laws of financial accounting in the structural construction on financial accounting management, construction of financial accounting management system, calculation affairs on basic financial accounting and system construction of financial information. The above mentioned would promote the quality of financial accountants, guarantee the security of financial information and reflect the financial information timely, truly, accurately and complete. Concerning the self-inspection results and problems in the basic financial accounting works, the Company made the Self-inspection Report and Improvement Plan of Basic Financial Accounting Works, and improved works seriously according the Plan. After these, the Company formed the Improvement Report of Basic Financial Accounting Works and made out the Management System on Person in Charge of Financial Affairs supplementary. As the improvement carried out deeply and orderly, the quality of the Financial Team of the Company got a promotion and the basic financial accounting works of the Company gained a perfection and standard further.

(ii) According to requirement of Notice of Carried-out Self-inspection on the Construction and Implementation of Long-term System on Capital Occupation Avoidance (SZJGSZ[2010] No. 59) issued by Shenzhen Securities Regulatory Bureau, the Company checked the construction of long-term system on capital occupation and formed the Construction and Accomplishment of Self-inspection Report of Long-term System for Avoidance Capital Occupation. The result of self-inspection showed that the capital of the Company has never been occupied by the majority shareholder and its related parties. For the perfecting of long-term system on avoidance capital occupation further, the Company prepared Internal Personnel Accountability of Directors, Supervisors and Executives Managers, and revised the Article of Association further that added the system of 'freeze as long as occupied' for the capital occupied by the majority shareholder.

(iii) According to requirement of Notice of Thorough Investigation of Horizontal Operation Between the Company and Controlling Shareholder, Actual Controller and its Affiliated Enterprises (SZJGSZ[2010] No. 61) issued by Shenzhen Securities Regulatory Bureau, the Company delivered a Report of Horizontal Operation Between Majority Shareholder and its Affiliated Enterprises to Securities Regulatory Bureau in October 2010. At present, the Company has no actual controller. The largest shareholder of the Company and its affiliated enterprise are focus on its main business—logistic industry and business related, there is no horizontal operation between them with the Company.

At present, the governance system of the Company has been set up, the operation flows are standardized and the corporate governance structure is complete. These meet requirements of relevant regulatory documents issued by CSRC.

II. Performance of independent directors

The Board of Directors has 9 directors, among them, 3 directors are independent directors which taking up above 1/3 of Boards. And the independent directors were constituted by professionals in law, financial and industry research respectively. They could fulfill responsibility and declare independent opinions according to the related rules of Articles of Association.

In 2010, every independent director audited every proposal of Board of Directors cautiously, and declared independent opinions on significant operation management matters, related transactions, assets sold, internal control construction, incentive plan of restricted shares and relevant items. They protected interests of the Company and small and medium shareholders actively. The performance of Independent Directors attending Board of Directors is as follows:

Name of Independent director	Times that should be attend	Times of personal presence	Times of commission presence	Times of absence	Note
Chen Chao	9	9	0	0	-
Wang Tianguang	9	9	0	0	-
Xie Rudong	9	8	1	0	-

In the report period, according to requirements of Working System of Independent Directors and Working System on Annual Report of Independent Directors, independent directors actively communicated with accountants, urged works of annual report to progress on schedule, and investigated factories in Chengdu, Dongguan and other cities on-the-spot, further grasped the progress condition of production operation and project construction.

III. Separation between the Company and its substantial shareholders in terms of business, personnel, assets, organization and finance

The Company has been absolutely independent in business, personal, assets, organization and financial from its substantial shareholders ever since its establishment. The Company had an independent and complete business system and independent management capability.

i. In terms of business: The Company owns independent purchase and supply system of the raw resources, complete production systems, independent sale system and customers. The Company is completely independent from the substantial shareholders in business. The substantial shareholders and their subsidiaries do not engage any identical business or similar business as the Company.

ii. In terms of personnel: The Company established integrated management system of labor, personnel, salaries and the social security, which were absolutely independent from its holding shareholder's. Personnel of the managers, person in charge of the financial and other executive managers are obtained remuneration from the Company since on duty in the Company, and never received remuneration or take part-time jobs in large shareholders' company and other enterprises controlled by large shareholders. The recruitment and dismissal of Directors are conducted through legal procedure since the Company was listed and the manager has been appointed or dismissed by Board of Directors. The Board of Directors and the Shareholders' General Meeting have not received any interference of decisions on personnel appointment and removal from the largest shareholders. The investments to the Company from largest shareholder are monetary assets, and the largest shareholder has never occupy, damage or intervene to operation on these assets.

iii. In terms of organization: The Company possessed sound corporate governance structure, established Shareholders' General Meeting, Board of Directors, Supervisory Committee, appointed general manager, and fixed related function departments. The Company had been totally independent from its large shareholders in organization structure. The Company has its own office and production sites that are different from those of the large shareholders. The largest shareholder and its related parties didn't deliver any operation plan and order to the Company, neither influence the independence on management of the Company by any forms.

iv. In terms of finance: The Company set up independent financial department, established independent accounting calculation system and financial management system (included management system of its subsidiaries). The financial personnel of the Company didn't take part-time jobs in units of large shareholder or its subordinate units. The Company had independent bank accounts, separated from the large shareholders. The Company is independent taxpayer, paid taxes independently according the laws and didn't pay mixed taxes with the large shareholders. The financial decision-making of the Company was independent, and the large shareholders never interfere the usage of company's capital. The Company never offered guarantee to their large shareholders and its subordinate units and other related party. The largest shareholder and its related has never occupy or occupy disguised the capital.

IV. Particulars on establishment and completeness of internal control system

i. Self-evaluation report of internal control 2010

According to regulations of Basic Standard for Enterprises' Internal Control united issued by Ministry of Finance and other 5 ministries, and Guide of Regulatory Implementation on Listing Company in Main Board issued by Shenzhen Stock Exchange, the Company made Self-estimation Report of Internal Control 2010.

In the report period, internal control system of the Company was perfectly designed and efficiently implemented. The available internal control of the Company has covered various aspects of the operation and major implementation stage, and it has formed standard control system. The internal control of the Company could prevent, discover and correct significant errors and corrupt practices which probably occur in the operation procedures, protect the security and completeness of the asset of the Company and clients, and guarantee the truth, accuracy, completeness and timeliness of accounting record and information. 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. (Details of Self-Evaluation Report of Internal Control 2010 could be found in Juchao Website)

ii. Construction of internal control on financial report

The Company has established the perfected financial management system, which covered the aspects of various regulations including accounting calculation, financial processes, budget management, expenses control and monetary capital management. With purpose of guarantee the effective implementation of various financial management policies of the Company, the Company formulated the financial report internal control manual which including six contents related to financial report directly "Preparation of Accounting Policy and Items Maintenance, Processes of General Accounting, Preparation and Approval of Financial Report, Guarantee Management, Related Transaction Management and Taxation Management"

In the report period, the Company carried out a specific self-evaluation on internal control of financial report. And there has no significant defects in internal control related to financial report of the Company.

V. Appraisal and incentive mechanism for senior executives in the report year.

The Board of Directors approved the incentive measure for outstanding achievement of management team based on total net profit after tax in the current year and annual return on equity as assessment basis. Namely, the management team could obtain the award only when the annual return on equity reached 8%. Otherwise, they could not take incentives of outstanding achievement. When the return on equity reached 8%, the management team would take the proportion of 6% based on the total net profit after tax as bonus. While the return on equity exceeded 8%, for every 1 percentage point increased over 8%, the proportion of bonus of outstanding achievement would increase by 0.2 percentage points accordingly based on proportion of 6%.

In the year 2008, the Company has accomplished Restricted A Share Incentive Plan to middle and senior managerial team and other key staffs of the Company. the Company actually granted 49.14 million restricted A-shares to 244 specific employees, with the price of RMB 8.58 per share. The granted day of the restricted shares was 16 June 2008, the lockup period is 12 months since the bestowed day, and the 48 months afterwards are unlocking periods. If the unlocking conditions regulated in the incentive plan are satisfied in each unlocking period, the incentive staffs could apply to unlock 25% of the total amount of restricted shares after 12 months, 24 months, 36 months and 48 months respectively since the granted day. The implementation of the incentive plan further perfected the incentive mechanism of the Company, promoted key staffs to work diligently, and ensured the realization of the development strategy and operation target of the Company.

§6 Brief Introduction of Shareholders' General Meetings

In the report period, The Company has held 1 Shareholder’s General Meetings.

i. The Company held the 2009 Shareholders’ General Meeting on 20 April 2010. The resolution of the meeting has been published on Security Times, China Securities Journal and Hong Kong Commercial Daily dated on 21 April 2010.

§7 Report of the Board of Directors

I. Operation of the Company

i. Reviews on the operation of the Company in the report period

(i) Overall operation of the Company:

The economic environment of the world in 2010 was complicated. Debt risk in euro area upgraded constantly, the USA government continued the Quantitative Easing financial policy to stimulate economy, the price of domestic houses and inflation ascended. In order to deal with the high inflation, the government successively issued a series of policies in the second half of the year to restrain house prices and control inflation, thus the pressure from decline of economy growth rate ascended. Faced with the changeable economic environment, the Company fully made use of industry advantage and market opportunity of each industry, strategically optimized industrial layout, actively explored market. The revenue and profit in 2010 made historic record, realized revenue of RMB 7,744 million, a raise of 46.69% compared with the same period of last year; realized net profit of RMB 1,455 million (deducted minority shareholders' interest), a raise of 74.92% compared with the same period of last year.

Flat glass industry department: In 2010, the flat glass industry generally lasted the better market condition from the second half year of 2009 although it has been affected by national real estate control policy and significant growth of price of raw materials and fuels. The department positively adjusted operational strategy against changeable market. The performance reached record high owing to enhancing cost control, technical transformation and improving yield of production and sales of differentiate products etc. In 2010, the department further improved the comprehensive quality and marketing shares of ultra clear float glass through self-innovation. At the same time, the department created new products such as ocean blue, light blue, F blue and TCO glasses, so that the advantage of diverse operation was more highlighted, anti-risk ability was effectively enhanced.

Architecture glass industry department: Under the pressures of cost rising and marketing competitiveness, the architecture glass industry kept stable developing tendency continuously in 2010. Under the trend of energy-saving and environmental protection as well as low-carbon economy, the layout and scale advantage of the department gradually occur, and the amount of production and sales of energy-saving glass improved greatly compared with the same period of last year. In order to keep and enhance the leading position in energy-saving glass field, the department planned to set up production base for energy-saving glass in central region so that industrial layout will be perfected further. At the same time the department insisted in self-innovation. On the basis of first-generation low-eradiate coated glass, the department developed second generation low-emission energy-saving glass successively which could be tempered after transported to different places. This glass has got commendations from the market. As reserve of products and technology, the third generation low-emission energy-saving glass has been put into trial production**.**

Fine glass industry department: Drived by speedy growth of market demands of touch-panel products in 2010, the prosperity of the fine glass industry recovered rapidly and improved greatly. The department made use of market opportunity fully and reinforced internal management actively. By boosting the output of high value-added products, the overall profit of the department recovered. The touch panels which indicated high level product in the industry has been put into volume production after constant research, and entered into the supply chain of advanced and fashionable mobiles. It not only brought profits to the Company, but also showed the technology and innovation ability of the Company in touch-panel fields.

Solar energy industry department: Although the extending of debts risk in Euro area produced a certain mental pressure for the market of photovoltaic industry, the market demands of photovoltaic products in 2010 extended the trend of substantial growth in the second half year of 2009 with continuous reduction of photovoltaic power generation cost. It improved the profitability for each section of industry chain. Along with the fulfillment of building solar energy industry chain as well as constant improvement of technology of each section of industry chain, the advantage of solar industry of the Company has appeared and obtained considerable achievement.

(ii) Main operating incomes and operations of the Company

➤ Main operating incomes classified according to industry:

Unit: RMB’0000

Industry	2010 Operating income	2010 Cost of sales	2009 Operating income	2009 Cost of sales
Flat glass industry	318,287	209,493	255,284	173,167
Architectural glass industry	226,299	158,302	190,993	126,963
Fine glass and ceramics industry	64,346	43,032	44,932	31,933
Solar energy industry	226,040	144,265	68,905	44,589
Elimination	-65,175	-63,880	-35,433	-35,433
Total	769,797	491,212	524,681	341,219

Note: *In 2010, Dongguan CSG Solar Glass Co., Ltd. belonged in solar energy industry department form flat glass industry department, and the related data in 2009 have a reclassification (same as below).*

➤ Main operating incomes classified according to locations:

Unit: RMB’0000

Location	Operating income in 2010	Percentage increased/decreased than 2009
Mainland, P.R.C.	606,266	33.95%
Hong Kong, P.R.C	38,060	26.64%
Europe	66,854	4142.56%
North America	7,036	1041.16%
Australia	9,256	70.10%
Asia (excluding mainland China and Hong Kong)	23,635	22.08%
Other locations	18,691	24.44%

➤ Products which accounted over 10% of Sales:

Unit: RMB'0000

Product	Operating income 2010	Operating income Increase/ Decrease than 2009	Cost of sales 2010	Cost of sales Increase/ Decrease than 2009	Gross profit margin (%) 2010	Gross profit margin (%) Percentage Increased / Decreased than 2009
Flat Glass	318,287	24.68%	209,493	20.98%	34.18%	Increase 2.01 percentage points
Architectural Glass	226,299	18.49%	158,302	24.68%	30.05%	Decrease 3.48 percentage points
Solar energy industry	226,040	228.05%	144,265	223.55%	36.18%	Increase 0.89 percentage points

➤ Major suppliers and customers:

In the report period, the Company's purchase amount from the top five suppliers was RMB 874.37 million in total, accounting 21% of the total annual purchase; the sales to the top five customers was RMB 997.85 million in total, accounting 13% of the total annual sales.

(iii) Significant changes in assets, expenses and the reason of change

Unit: RMB'0000

Item	2010	2009	Percent -age Change	Reason
Other receivables	6,662	1,538	333%	Because the amount of payment raised for export tax refunds receivable and guarantee deposit.
Long-term prepaid expense	100	16	517%	Because Jiangyou CSG Mining Development Co., Ltd., subsidiary of the Company, paid for mines rent in 2010.
Asset impairment losses	8,649	1,696	410%	Because some subsidiaries of the Company accrued larger amount of fixed assets impairment and it was much more than 2009.

Note: *Details were available in Complementary Materials III, Notes to Financial Statements.*

(iv) Items related to fair value measure

Unit: RMB

Item	Amount at period-begin	Current gains and losses due to change of fair value	Accumulative fair value change calculated to equity	Depreciation withdrawn this period	Amount at period-end
Financial assets	7,528,589	-	-	-	-
Including: Financial assets available for sales	7,528,589	-	-	-	-
Total	7,528,589	-	-	-	-

Financial assets holding and financial liabilities bearing in terms of foreign currency:

Unit: RMB

Item	Amount at period-begin	Current gains and losses due to change of fair value	Accumulative fair value change calculated to equity	Depreciation withdrawn this period	Amount at period-end
Financial assets	125,729,611	-	-	-286,309	159,078,568
Including: loan and accounts receivable	125,729,611	-	-	-286,309	159,078,568
Financial liability	1,020,400,469	-	-	-	1,093,504,349

(v) Relevant data of cash flows and reason for change

Unit: RMB'0000

Item	2010	2009	Amount Difference	Reason
Cash received from sales of goods or rendering of services	874,369	515,073	359,296	Because sales income increased compared with 2009.
Cash paid for goods and services	476,390	242,566	233,824	Because operation scale was expanded compared with 2009.
Cash paid to and on behalf of employees	65,647	44,651	20,996	Because operation performance was better than 2009, corresponding payment and performance bonus increased correspondingly.
Payments of taxes	78,077	50,392	27,685	Because sales income and profit increased compared with 2009, value added tax and income tax increased correspondingly.
Cash paid to acquire fixed assets, intangible assets and other long-term assets	201,648	116,659	84,989	Because main construction of Yichang CSG, Wujiang Float-glass and Shenzhen Float-glass and other invested projects were concentrated in 2010.
Cash received from bonds	197,820	0	197,820	Because issued debenture with 2 billion yuan book value in 2010.
Cash received from borrowings	188,163	448,899	-260,736	Because short-term loan has been replaced by debenture in 2010.
Cash repayments of borrowings	365,376	505,944	-140,568	Because short-term loan has been replaced by debenture, and returned short term finance bonds.
Cash payments for interest expenses and distribution of dividends or profits	65,408	35,866	29,542	Because the profit increased constantly, the payment for distribution of dividends increased correspondingly.

(vi) Analysis on performance of major shareholding subsidiaries

➤ **Flat glass industry department:**

A. Guangzhou CSG Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 260 million. The main business includes production and sales of top grade float glass and specialized glass with production capacity of over 400 thousand tons per year. At the end of 2010, the total assets of the company were RMB 855 million. In 2010, this company realized revenue of RMB 762 million and net profit of RMB 107 million.

B. Shenzhen CSG Float Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 705.74 million. The main business includes research, production and sales of top grade float glass with production capacities of 370 thousand tons per year. At the end of 2010, the total assets of the company were RMB 1,289 million. In 2010, this company realized revenue of RMB 411 million and net profit of RMB 35 million.

C. Chengdu CSG Glass Co., Ltd., 75% equity is held by the Company, the registered capital is RMB 246.66 million. The main business of flat glass industry in this company includes production and sales of top grade float glass and specialized glass with production capacities of over 800 thousand tons per year. At the end of 2010, the total assets of float glass industry in the company were RMB 1,139 million. In 2010, float glass industry in the company realized revenue of RMB 1,199 million and net profit of RMB 384 million.

D. Hebei CSG Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of USD 48.06 million. The main business includes production and sales of top grade float glass and specialized glass with production capacities of more than 500 thousand tons per year. At the end of 2010, the total assets of the company were RMB 866 million. In 2010, this company realized revenue of RMB 819 million and net profit of RMB 190 million.

E. Hebei Panel Glass Co., Ltd. *(Note A)* is a wholly owned subsidiary of the Company with registered capital of RMB 243 million. The main business includes production and sales of various ultra-thin electronic glasses. The company is in preparation.

F. Wujiang CSG Glass Co., Ltd. *(Note B),* is a wholly owned subsidiary of the Company with registered capital of USD 40 million. The main business includes production and sales of top grade float glass and specialized glass. The company is in preparation.

G. Jiangyou CSG Mining Develop Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 28 million. The main business includes production and sales of quartz sand. At the end of 2010, the total assets of the company were RMB 82.16 million. The company is in preparation.

H. Heyuan CSG Mining Co., Ltd., 75% equity is held by the Company, the registered capital of RMB 12 million. The main business includes production and sales of quartz sand. At the end of 2010, the total assets of the company were RMB 69.76 million.

I. Yingde Hongsheng Quartz Sand Processing Co., Ltd. *(Note C),*, 75% equity is held by the Company, the registered capital of RMB 10 million. The main business includes production and sales of quartz sand. The company is in preparation.

In 2010, the flat glass industry department realized revenue of RMB 3,193 million (eliminated the internal related transactions) and net profit of RMB 610 million (eliminated the minority interest) in total.

- **Architectural glass industry department:**

A. Dongguan CSG Architectural Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 240 million. It mainly produces energy saving Low-E coated glass and related compound-processed products with production capacities of 2.4 million square meters per year. At the end of 2010, the total assets of the company were RMB 1,032 million. In 2010, this company (architecture glass in Shenzhen included) realized revenue of RMB 751 million, and loss of RMB 59 million.

B. Tianjin CSG Architectural Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 178 million. It mainly produces energy saving Low-E coated glass and related compound-processed products with production capacities of 2.4 million square meters per year. At the end of 2010, the total assets of the company were RMB 471 million. In 2010, this company realized revenue of RMB

430 million and net profit of RMB 20 million.

C. Tianjin CSG Energy Conservation Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 128 million. It mainly produces energy saving Low-E coated glass and related compound-processed products with production capacities of 2.4 million square meters per year. At the end of 2010, the total assets of the company were RMB 550 million. In 2010, this company realized revenue of RMB 528 million and net profit of RMB 91 million.

D. Wujiang CSG Huadong Architectural Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 320 million. It mainly produces energy saving Low-E coated glass and related compound-processed products with production capacities of 2.4 million square meters per year. At the end of 2010, the total assets of the company were RMB 709 million. In 2010, this company realized revenue of RMB 515 million and net profit of RMB 87 million.

E. Chengdu CSG Glass Co., Ltd., architectural glass industry in this company mainly produces energy saving Low-E coated glass and related compound-processed products with production capacities of 2.4 million square meters per year. At the end of 2010, the total assets of architectural glass industry in the company were RMB 539 million. In 2010, architectural glass industry in the company realized revenue of RMB 266 million and net profit of RMB 61 million.

F. CSG (Hong Kong) Limited is a wholly owned subsidiary of the Company with registered capital of HKD 86.44 million. The main business of this company is glass trading and equity investment. At the end of 2010, the total assets of the company were RMB 933 million. In 2010, this company realized revenue of RMB 145 million.

G. CSG (Australia) Limited is a wholly owned subsidiary of the Company with registered capital of AUD 500 thousand. The main business of this company is glass trading. At the end of 2010, the total assets of the company were RMB 21.41 million. In 2010, this company realized revenue of RMB 81.34 million.

In 2010, the architectural glass industry department realized revenue of RMB 2,284 million (eliminated the internal related transactions) and net profit of RMB 308 million (eliminated the minority interest) in total.

➤ **Fine glass and ceramics industry department:**

A. Shenzhen CSG Display Technology Co., Ltd. *(Note D)*, 65.45% equity is held by the Company, the registered capital is USD 9 million. The main business includes developing and operating new display devices and semiconductor photoelectric materials and related products with production capacities of 12 million pieces per year. At the end of 2010, the total assets of the company were RMB 375 million. In 2010, this company realized revenue of RMB 393 million and net profit of RMB 66 million.

B. Shenzhen CSG Wellight Conductive Coating Glass Co., Ltd. *(Note E)*, 70% equity is held indirectly by the Company, the registered capital is USD 17.80 million. The main business includes production and operation of color filter and capacitive sensor substrate. At the end of 2010, the total assets of the company were RMB 645 million. In 2010, this company realized revenue of RMB 247 million and net profit of RMB 8.54 million.

C. Shenzhen New Sight Photoelectric Technology Co., Ltd. *(Note F)*, 65.45% equity is held indirectly by the Company, the registered capital is RMB 20 million. It mainly develops, products and sells module (cover glass, shielding glass and related products). At the end of 2010, the total assets of the company were RMB 25 million.

D..Dongguan CSG Ceramics Technology Co., Ltd. *(Note G)*, the registered capital is RMB 50 million. It mainly produces high-tech structural ceramic products. At the end of 2010, the total assets of the company were RMB 109 million. In 2010, this company realized revenue of RMB 54 million and net profit of RMB 7.28 million.

In 2010, the fine glass and ceramics industry department realized revenue of RMB 648 million (eliminated the internal related transactions) and net profit of RMB 66 million (eliminated the minority interest) in total.

- **Solar energy industry department:**

A. Yichang CSG Polysilicon Co., Ltd., 93.79% equity is held by the Company, the registered capital is RMB 652.48 million. It produces high-purified poly-silicon materials and silicon chip. The production capacities in the 1st phase of the project are 2000 tons per year. At the end of 2010, the total assets of the company were RMB 2,021 million. In 2010, this company realized revenue of RMB 797 million and net profit of RMB 196 million.

B. Dongguan CSG PV-tech Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 300 million. It produces and sells solar cells and modules with capacities of 100MW per year. At the end of 2010, the total assets of the company were RMB 651 million. In 2010, this company realized revenue of RMB 881 million and loss of RMB 58 million.

C. Dongguan CSG Solar Glass Co., Ltd. is a wholly owned subsidiary of the Company with registered capital of RMB 200 million. It produces and sells solar glass products with capacities of 120 thousand tons per year. At the end of 2010, the total assets of the company were RMB 889 million. In 2010, this company realized revenue of RMB 760 million and net profit of RMB 267 million.

In 2010, the solar energy industry department realized revenue of RMB 2,264 million (eliminated the internal related transactions) and loss of RMB 510 million (eliminated the minority interest) in total.

Notes A: *Hebei Panel Glass Co., Ltd. established on 4 November 2010. At the end of the report period, the company is in preparation.*

Notes B: *Wujiang CSG Glass Co., Ltd. established on 26 September 2010. At the end of the report period, the company is in preparation..*

Notes C: *In the report period, Dongguan CSG Solar Glass Co., Ltd., the subsidiary of the Company, established the Yingde Hongsheng Quartz Sand Processing Co., Ltd. on 17 November 2010 with Yingde Guanda Silicon Mining Resource Co., Ltd. which is the shareholder of Yingde Balishi Mining. And the Company held 75%*

equity.

Notes D: *In the report period, in order to offer a larger operating platform and developing space for Shenzhen CSG Display Technology Co., Ltd. (hereinafter referred to as Display), stimulate passion of management team and core technical staffs, ensure its quick and steady development, the 15th meeting of the 5th Board of Directors approved to restructure Display. That means the Company transferred less than 10% equity of Display to the company constructed by directors, junior and senior management as well as core technical staffs of Display. On 25 October 2010, directors, junior and senior management as well as core technical staffs of Display built Shenzhen Zhongfusheng Venture Investment Partnership (hereinafter referred to as Zhongfusheng). On 1 November 2010, the Company signed agreement to transfer 9.55% equity of Display to Zhongfusheng with transfer price of RMB 16.03 million. At present, the equity transfer has been finished and the Company holds the 65.45% equity.*

Notes E: *In the report period, in order to systematically make independent operating platform for fine glass industry department, rationalize Connection relationship between Display and Shenzhen CSG Wellight Conductive Coating Glass Co., Ltd. (hereinafter referred to as Wellight), prepare for possible capital operation of Display, the 18th meeting of the 5th Board of Directors approved Display to purchase 100% equity of Wellight. The base date of assets evaluation is 31 December 2010, and the Pricing based on evaluation value for Wellight evaluated by evaluating agency. The Company and Yuwei Development Co., Ltd. held 70% and 30% equity of Wellight respectively. On 29 December 2010, the Company and Yuwei Development Co., Ltd. signed agreement to transfer all equity of Wellight to Display with price of RMB190 million. At present, the equity transfer has been finished.*

Notes F: *In the report period, in order to systematically make independent operating platform for fine glass industry department, rationalize Connection relationship between Display and Shenzhen New Sight Photoelectricity Technology Co., Ltd. (hereinafter referred to as New Sight), prepare for possible capital operation of Display, Wellight signed agreement on 30 November 2010 to transfer 60% equity of New Sight to Display with transfer price RMB 9.06 million. The base date of assets evaluation is 31 October 2010, and the Pricing based on evaluation value for New Sight evaluated by evaluating agency. At present, the equity transfer has been finished, Display holds 100% equity of New Sight, and the Company holds 65.45% equity of New Sight indirectly.*

Notes G: *On 31 January 2010, the Board of Directors approved to sale 100% equity of Dongguan CSG Ceramics Technology Co., Ltd. to a natural person, Yang Boheng. Two parties on trading indentified that the base date of assets evaluation is 31 December 2010 and the transfer price is RMB 64.12 million. At present, equity transfer is being arranged.*

ii. Prospect for the future development of the Company

(i) Growth trend of the industry and business

In 2011, the national control policy for real estate will affect the market of real estate continuously, thus bring a certain pressure on market demands of flat glass. But with the large-scale expansion of government low-income housing projects, market demands of flat glass will be promoted. At the same time, corporations with better industry allocation, scale advantage and technology advantage in industry will get larger developing space.

Adjusting economic structure and transforming growth ways are the key point of the Twelfth Five-Years. Plans Saving energy and reducing emission are the essential ways of promoting economic restructuring and growth transforming. Building energy consumption took about one third of total social energy consumption, while energy lost in doors and windows of the building took nearly 50% of building energy consumption. Therefore, the usage of energy-saving glass will be an irresistible trend. With the constant effort on energy-saving and emission-reducing by the government as well as the constant improvement of people’s energy-saving awareness and requirement for housing environment, energy-saving glass has a huge market.

With the gradual popular of touch-panel operation, the portable electronic devices with touch-panel offered huge market for touch-panel products, thus brought considerable development opportunity to fine glass industry.

Under the trend low-carbon economy, with constant growth of oil price as well as sharpening of energy shortage, more and more countries governments will support on photovoltaic power gradually. Though the shadow of Euro debts risk brought a certain uncertainty to photovoltaic market, the strong market demands of photovoltaic products will continue with the spring up of North American market, Eastern Europe and emerging markets in Asia.

(ii) Development strategy and 2010 operation plan of the Company

Development strategy for future years of the Company is to concentrate on developing energy-saving and renewable energy industry, build complete industry chain of glass industry, solar photovoltaic industry and fine glass industry. Consolidate and reinforce technical advantage and market status in fields of energy-saving glass and solar PV products by technological innovation and scale effect， earnestly build and improve core competence and sustainable development ability in industries of flat glass, architecture glass, fine glass and solar energy. It is estimated that the Company will realize steady development and progress during the following years.

The main operating plans of the Company in 2010:

- Plan, management and operation, ensuring to achieve the construction and operation target of 2010.
- Keeping on sound financial policies, guarding against financial risks strictly.
- Controlling costs and expenses strictly, carrying out various measurement of energy-saving and consumption-deducting.
- Strengthening market research and analysis, continuing to conduct differentiation strategy, making efforts to upgrade product technology and quality to keep pace with the international enterprises in the industry.
- Strengthening the training and reserve of the medium and senior management talents, improving the managerial quality and overall abilities of them, and promoting the management capacity of the whole group to a higher position.
- Enhancing of internal control, further normalizing the business operation procedure of the Company, involving the control in important business procedure actually, effective improving the function of pro-control, preventing various operation risks actively.
- Putting more effort on R&D of new products, new technology and new craftwork, keeping the innovation advantage in technology and products.

(iii) Demand for capital, capital use plan and capital resources

In 2010, the Company plans to invest capital amounting to RMB 3.8 billion or so, mainly in research and development, the expansion and reconstruction of projects of energy-saving glass, TCO glass and other items as well as expansion of solar photovoltaic industry chain. Capitals mainly come from self-owned capital, private placement and short-term financing bills issued by the Company and loans from the financial institutions.

(iv) Risks and mitigation plan

In 2011, with the enlarging of the scale of sales and production, the Company will face the following risks and challenges:

- Risks from cost increase caused by the rise in the price of raw materials

In 2011, China will still be faced the pressure from high inflation, thus the Company will confront with risk of rising manufacture cost arising from rising price of raw materials and fuels. To deal with risk, the Company will take the following measurements.

A. Making use of bulk purchase advantage to reduce purchase cost;

B. According to judgment to market tendency, signing fixed term contract, timely fix the prices of bulk commodities;

C. Increasing the bulk commodities storage appropriately to smooth price flutuation;

D. Enhancing lean management, reducing materials consumption.

- Risks from exchange rate

With constant expansion of production scale of photovoltaic industry chain of the Company, overseas sales income of the Company will increase by a large margin. Along with implementation of American Quantitative Easing, sharpening of uncertainty of Euro economy and fluctuation of the Middle East situation, the risk of sales from currency fluctuation will rise too. In order to face the risk, the Company will timely surrender the exchange and use safe and effective risk-avoiding instruments and products, relatively fix exchange rate, thus reduce risk arising from exchange rate fluctuation.

II. Investments in the report period

i. Usage of raised funds

In the report period, the Company had no raised proceeds, and there was no funds raised in previous period extending to the report period.

ii. Investment of non-raising fund

Unit: RMB'0000

Project (A)	Amount	Progress of project (finished)	Earning
Shenzhen float TCO conductive glass project	8,577	Planning to introduce a TCO glass product line applied in thin film solar cell with annual capacities of 460,000 square meters (3,450 tons per year).	The production line has been put into full production in March 2010, and didn't calculate separately.
Technical upgrading project for the Shenzhen 2nd float glass production line	19,767	Planning to readjust the products structure of the 2nd line to produce ultra-white glass and ordinary white glass. And the daily melting capacities will also be promoted to 600T/D or so from the current capacities of 400T/D through equipment updating and restructuring. At the same time, heavy oil combustion systems will be transformed. Semi-dry flue gas desulfurization devices will be used to improve the gas emissions and use flue gas and steam from waste heat boiler for LiBr refrigeration to replace the Company's existing air-conditioning refrigeration for the purpose of saving energy and protecting environment.	The whole transformation completed in September 2010, and didn't calculate separately.
Chengdu CSG new coated glass production line	24,800	Planning to build a production line and its supporting facilities. When the project is completed, the yearly productivity of Low-E compound-processed glass is 1.20 million square meters.	The project has been finished at the end of 2010, and didn't calculate separately.
Yichang polysilicon technical upgrading and expanding production project	13,900	Planning to upgrade technical and expand production on 1500 T/Y of polysilicon project phase I. The project will increase capacity of polysilicon to 2000T/Y.	The project has been finished and get the design production capacity at the end of 2010, and didn't calculate separately.
Dongguang 75 MW Expansion project of solar cell	15,600	Planning to build a production line with annual output of 75MW. The production line with 25MW and 50MW annual output had been put into commercial operation respectively in January and August 2010.	In the report period, the project has been finished, and didn't calculate separately.
Subtotal	82,644	-	-
Project (B)	**Amount**	**Progress of project (will be finished in 2011)**	**Earning**
Wujiang CSG float glass project	84,563	Planning to construct two production lines of high-grade float glass with daily melting capacities of 600 tons and 900 tons respectively in Wujiang Economic Development Zone. The production lines use clean energy - natural gas as the fuel and construct supporting waste-heat generation station. The construction period is about 18 months.	It is estimated that the project will be completed and put into operation in the middle of 2011.
Hebei Float Panel Glass Project	34,776	Planning to build a panel glass production line in Heibei CSG, which mainly 0.33-0.7mm panel glass. After completion it is predicted to produce panel glass 30,000 tons per year. The construction period is about 13 months.	It is estimated that the project will be completed and put into operation at the end of 2011.
Expansion on capacity of Dongguan project	13,074	Planning to increase capacities with 3 million square meters of the wide flat coated glass.	It is estimated that the project will be put into commercial operation in the 4th quarter 2011.
The Phase III of expanding production project of Solar Glass in Dongguan CSG	49,893	Planning to construct a new production line of ultra-white solar glass with 500T/D annual productivity.	It is estimated that the project will be completed at the end of 2011.

Expanding 200MW solar cell and module project in Dongguan	69,700	Planning to construct solar cell and module production lines respectively in Dongguan, increased their productivity with 200MW. After completion of the project, the annual productivity of solar cell and module will reach 300MW. The construction period is 1 year.	It is estimated that the project will be completed and put into operation before August 2011.
The Phase I of 160MW wafer processing project in Yichang CSG	69,500	Planning to build wafer processing project with annual productivity of 160MW. The part of productivity with 100MW has been finished and put into operation.	The balance productivity will be finished in the middle of 2011.
The Phase II of 140MW wafer processing expanding project in Yichang CSG	69,500	Planning to build the 2nd phase of wafer processing expanding project with annual productivity of 140MW. When the project completes, the productivity of wafer will get to 300MW. The construction period is 12 months.	It is estimated that the project will be completed and put into operation at the end of 2011.
Subtotal	371,156	-	-
Project (C)	**Amount**	**Progress of project (will be finished in 2012~2013)**	**Earning**
Guangzhou float glass Removal project	75,000	Planning to remove the entire Guangzhou Float Glass Company in Guangdong Province, and improve comprehensive competitiveness and profitability of products by adjustment of products structure. The projected investment of the project is RMB 750 million. Considering possible impairment for the present capital of the Company, the Company plans to increase the appropriate investment in order to satisfy demand of capital for the new plant construction. The project will improve efficiency of heat transfer by advanced natural gas burning craftwork. At the same time, the project will protect environment and increase the recycle usage of resources by cogeneration and fume desulfurization dusting technology.	It is estimated that the project will be completed in the 3rd quarter 2012.
Hydrochlorinate technology transformation of poly-silicon production line project in Yichang CSG	50,000	Planning to make hydrochlorinate technology transformation on poly-silicon production line in Yichang, in order to reduce material consumption, power consumption and steam consumption substantially	It is estimated that the project will be completed in 2013.
The Phase I of panel display production base in Wujiang CSG	53,800	Plannig to build CSG Wujiang flat display industry base in Wujiang Economy Technology Development Area with the investment party -- Shenzhen CSG Display Technology Co., Ltd, controlling subsidiary of the Company. After the completion of the 1st phase of the project, there will get annual productivity of 480 slices of ITO glasses, 0.72 million square meters of ITO soft film and 0.84 million slices of capacitance touch-panel sensor glasses.	It is estimated that the Phase I project will be completed at the beginning of 2013.
Total	178,800	-	-

iii. Planned investment of funds raised

Unit: RMB'0000

Project	Amount	Progress of project	Earning
Expanding of TCO conductive glass project of Shenzhen float glass	51,156	Planning to build TCO conductive glass production line with 4 million square meters' annual productivity. The project will be completed in two phase, and the construction period is 2.5 years.	It is estimated that the project will be completed and put into production in stages in 2013. It plans to use funds raised.
Expansion on energy-saving glass capacity of Wujiag Project	47,913	Planning to increase two coating glass production lines and some support insulating glass capacity. When the project completed, the capacities of the wide flat coated glass will add 3 million square meters, and capacities of coated insulating glass will add 1.2 million square meters every year. The construction period is 2.5 years.	It is estimated that the project will be completed and put into operation respectively in 3rd quarter 2011 and 2013. It plans to use funds raised.
Expansion on energy-saving glass capacity of Chengdu project	19,835	Planning to build an ultra-wide coated glass production line. When the project is completed, the annual deep-processing capacities of the wide flat coated products will reach 3million square meters. The construction period is 1.5 years.	It is estimated that the project will be completed and put into operation in the first half of 2013. It plans to use funds raised.
New energy-saving glass project in Hubei	56,670	Planning to build production lines for 1.2 million square meters film coated insulating glass and 3 million square meters wide flat coated glass, and form a glass deep processing base of CSG in central China. The construction period is 3 years.	It is estimated that the two production lines will be completed and put into production in stages at the end of 2013. It plans to use funds raised.
The Phase III of 700MW wafer processing expanding project in Yichang CSG	198,000	Planning to build the 3rd phase of wafer processing expanding project with annual productivity of 700MW. The construction period is 2.5 years. When the project completes, the productivity of wafer will get to 1GW of the Company.	It is estimated that the project will be completed and put into production in stages before the middle of 2013. It plans to use funds raised.
Yichang CSG 700MW solar cell project	169,330	Planning to build the solar cell production line with annual productivity of 700MW. The construction period is 2.5 years.	It is estimated that the project will be completed and put into production in stages before the middle of 2013. It plans to use funds raised.
Expanding 500MW solar module project in Dongguan	63,600	Planning to expand the solar module production line with annual productivity of 500MW. The construction period is 2 years.	It is estimated that the project will be completed and put into production in stages before the middle of 2013. It plans to use funds raised.
Subtotal	606,504	-	-

III. In the report period, the Company had no changes in accounting policy and accounting estimate.

IV. Routine work of the Board of Directors

i. The meeting and resolutions of the Board of Directors

In the report period, the Company totally held 9 meetings.

(i) On 23 March 2010, the Company held 13^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 30 March 2010.

(ii) On 15 April 2010, the Company held 14^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 16 April 2010.

(iii) On 20 April 2010, the Company held 15^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 21April 2010.

(iv) On 25 May 2010, the Company held Extraordinary Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 26 May 2010.

(v) On 20 July 2010, the Company held 16^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 22 July 2010.

(vi) On 6 September 2010, the Company held the Extraordinary Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 6 September 2010.

(vii) On 21 October 2010, the Company held 17^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 23 October 2010.

(viii) On 5 November 2010, the Company held the Extraordinary Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 9 November 2010.

(ix) On 23 December 2010, the Company held 18^{th} Meeting of the 5^{th} Board of Directors. The resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 25 December 2010.

ii. Particulars about the implementation of the resolutions in Shareholders' General Meeting by the Board of Directors.

Shareholders' General Meeting of 2009 passed the 2009 Profit Distribution Plan, which the dividends would be distributed to shareholders in cash at the rate of RMB 3.5 (including tax) for each 10 shares based on the total share capital 1,222,695,624 shares, taking into accounts of the profits available for dividend of the Company as at 31 December 2008 and the dividend income committed by the subsidiaries of the Company amounting to RMB 1,085,811,999. In addition, the conversion of share capital from capital public reserve were taken, in which 7 share were converted for every 10 shares. The Company published a dividend distribution notice on China Securities Journal, Securities Times and Hong Kong Commercial Daily on 6 May 2010, and the distribution has been accomplished.

iii. The implementation of duty of the Audit Committee of the Board of Directors

The Audit Committee of the Board of Directors of the Company is constituted with 5 directors, and 3 of them are independent directors. The convoker is independent director. During the report period, according to demands of CSRC and Shenzhen Stock Exchange, and regulations of Rules of Procedure of the Audit Committee of the Board of Directors, Procedure for Annual Report Work of the Audit Committee, the committee paid attention to the construction of corporate internal control system, audited the internal audit report and financial report periodically, diligently and faithfully. They performed the following duties:

(i) Opinion and examination on the financial reports of the Company

In accordance with the requirements of CSRC, the Audit Committee presented two audit opinions for the annual financial report of the Company in the report period. Before the entrance of the certified public accountants for annual audit, the Audit Committee issued the initial written opinion for the unaudited financial report. The committee agreed the report fairly reflected the significant financial situation and operation achievement of the Company. After the certified public accountants presented their initial audit opinion, the Audit Committee re-examined the financial report of the Company and presented a written opinion which agreed that the basis, conditions, principles and methods used in the report were in line with the regulations and laws and fairly reflected the financial situation on 31 December 2010 and operation achievement in 2010 of the Company in significant aspects.

(ii) Supervision on the certified public accountant

Through negotiation with the certified public accountant, the Audit Committee arranged the audit work for the annual financial report in advance, and made the audit schedule. After the entrance of the registered accountants, the committee met the persons in charge of the audit. After communicating with the accountants, the committee realized the audit process and requirements from the accountants, and quickly feedback the information to the relevant departments of the Company, in order to ensure the annual audit and relevant information disclosure could be promoted according to the scheduled process.

(iii) Summary report on the 2010 audit work of the CPAs

PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd. conducted their work in strict accordance to Chinese audit standards; with attitude of earnest and responsibility, paid attention to communication with the management level and the Audit Committee; embodied strong specialty knowledge, professional nature and risk awareness. The CPAs successfully finished the 2010 annual audit work of financial reports of the Company and the audit quality is worthy of trust.

(iv) Proposal on the re-engagement of the CPAs

The Audit Committee suggests the Company to re-engage PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd. as the audit organization for the year 2010.

iv. Performance of duty of the Remuneration and Appraisal Committee of the Board of Directors

The Remuneration and Appraisal Committee of the Board of Directors is constituted with 5 directors. According to regulations of Rules of Procedure of The Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee makes examination on the disclosed remuneration of the directors, supervisors and senior executives and thought it accorded with the relevant laws and regulations of the remuneration and appraisal system of the Company.

The Company has accomplished the grant for restricted A shares on July 2008. During the period, the Remuneration and Appraisal Committee always focused on the promotion of the incentive plan.

In March 2010, the remuneration and appraisal committee examined and considered that the restricted shares held by incentive staffs satisfied unlocking conditions in 2010, and submitted to Board of Directors for the 2^{nd} unlock of restricted according to the regulations of Restricted A Shares Incentive Plan. At the same time, there were 2 former incentive staffs had resigned till March 2010 and didn’t accord with the qualification of incentive plan. The Company should buy back and write off restricted A shares granted to above incentive staffs. The results should be handed in to the board of directors.

In April 2010, the Company implemented 2009 Annual Equity Distribution Plan, namely sending cash RMB 3.5 (tax included) per 10 shares to all shareholders. In addition, the conversion of share capital from capital public reserve were taken, in which 7 share were converted for every 10 shares. According as correlative regulations in Restricted A Shares Incentive Plan, the Remuneration and Appraisal Committee of the Board of Directors examined and considered that buying back price of the restricted A share which were un-locked out yet should be adjusted to RMB 4.78 per share. Meanwhile, there were 2 former incentive staffs had resigned till April 2010 and didn’t accord with the qualification of incentive plan. The Company should buy back and write off restricted A shares granted to above incentive staffs. The results should be handed in to the board of directors.

In May 2010, there were 1 former incentive staffs had resigned till May 2010. According as correlative regulations in Restricted A Shares Incentive Plan, the Remuneration and Appraisal Committee of the Board of Directors examined and considered that they didn’t accord with the qualification of incentive plan and the Company should buy back and write off restricted A shares granted to above incentive staffs. The results should be handed in to the board of directors.

In November 2010, there were 6 former incentive staffs had resigned till November 2010. According as correlative regulations in Restricted A Shares Incentive Plan, the Remuneration and Appraisal Committee of the Board of Directors examined and considered that they didn’t accord with the qualification of incentive plan and the Company should buy back and write off restricted A shares granted to above incentive staffs. The results should be handed in to the board of directors.

v. Establishment and perfection of the management system of external information user

The Company established Management System of Information Disclosure and perfected it according as the newly-promulgated laws and rules timely, defined the standards for inside information, built registration & record system and file management system of information insiders. The Company put strict information confidentiality provisions in the system and expressed that the external related personnel must fill in the Registration Form of Internal Information Insiders if the statistical statements and other information submitting to the outside according to the law involved like unrevealed profit index. And the Company must point to the external information insiders that abide by related laws and rules. In reporting period, the Company also submitted the Registration Form of Internal Information Insiders to Shenzhen Stock Exchange when submitting every periodic reports.

vi. Statement of the Board of Directors for internal control responsibility

Board of directors hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in the Self-Evaluation Report of Internal Control 2010, and the information disclosed is truthfulness, accuracy and completeness.

Opinions of independent directors on self-estimation report of internal control: In the year 2010, the Company established and perfected internal control system. This system strictly, sufficiently and effectively controlled the important activities including internal control of subsidiaries of the Company, related transaction, external guarantee, significant investment, information disclosure etc., ensured effective operation and management of the Company. This internal control system was rational and perfect. The self-estimation report of internal control reflected the conditions of internal control of the Company truly, objectively and completely.

V. Proposal of profit distribution preplan or share conversion from capital public reserve.

According to the financial report audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd., the net profit of the parent company was RMB 694,755,456 in 2010. The Company took 10% of the net profit as stationary surplus reserve which was RMB 69,475,545.6. The Board of Directors proposed to distribute the profit based on the amount 2,076,143,060 shares, taking into accounts of the profits available for dividend of the Company as at 31 December 2010 and the dividend income committed by the subsidiaries of the Company amounting to RMB 1,569,494,339, to distribute every shareholder RMB 3.50 (including tax) for each 10 shares held, and the total amount distributing is RMB 726,650,071.

Board of directors consider that this proposal of profit distribution meet the specification of Corporation Law, Accounting Standard for Enterprises and Articles of Association.

The above profit distribution preplan must be submitted to the 2010 Shareholders' General Meeting of the Company for consideration.

VI. Cash dividends in the past three years

	Cash dividends amount (including tax)	Net profit attributed to equity holders of the Company	proportion	Distributable profit during the year
2009	427,943,468	831,944,393	51.44%	1,526,908,861
2008	122,373,812	420,079,848	29.13%	863,352,524
2007	178,194,469	431,484,803	41.30%	653,330,647
The proportion of accumulative cash bonus during recent three years in latest annual average net profit (%)				129.82%

§8 Report of the Supervisory Committee

I. Particular about working of the Supervisory Committee

In the report period, Supervisory Committee of the Company held 4 meetings in total.

i. The 9th meeting of the 5th Supervisory Committee was held on 26 March 2010, the resolution of the meeting was published on Securities Times, China Securities Journal and Hong Kong Commercial Daily dated on 30 March 2009.

ii. The 10th meeting of the 5th Supervisory Committee was held on 15 April 2010, and the meeting examined and approved the 1st Quarter Report of CSG 2010.

iii. The 11th meeting of the 5th Supervisory Committee was held on 20 July 2010, and the meeting examined and approved the Semi-Annual Report of CSG 2010.

iv. The 12th meeting of the 5th Supervisory Committee was held on 21 October 2010, and the meeting examined and approved the 3rd Quarter Report of CSG 2010 and Self-audit Report of Avoidance of the Long-term System Construction and Implementation on Raise Capital Occupation of CSG.

II. Independent opinion of the Supervisory Committee

i. Operation according to law

The Supervisory Committee of the Company knew and mastered the operation and financial situation of the Company through attending as nonvoting delegate and took part in the Shareholders' General Meeting and the Board Meeting. The Supervisory Committee considered that the Board of the Company strictly performed its duties in accordance with the regulations of laws and rules of the State and Articles of Association of the Company in 2010, and its decision-making procedure was legal; the internal control system of the Company was complete and the operation was normative. The directors and senior executives of the Company had no behaviors of disobeying laws, regulations and Articles of Association of the Company or damaging the interests of the Company when executing their duties in the Company.

ii. Financial inspection

The Supervisory Committee of the Company believes that the Auditor's Report issued by PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd. is true and reliable, and the financial report and auditor's opinions of the Company truly reflect the financial situation and operative achievements of the Company.

iii. Use of the raised funds

There has no construction projects invested from raised funds of the Company in report period.

iv. Purchase and sales of assets

In the report period, the transaction price for asset selling is reasonable. There are no insider dealings which harms the interests of shareholders and assets of the Company.

v. Related party transactions

In the report period, related transactions of the Company were based on the market price, follow with the principle of fair-trade. There are no harmless benefits of the listed company being found.

vi. Opinions on self-evaluation report of internal control

Supervisory Committee examined self-estimation report of internal control and considered that the internal control organization of the Company was integrated, internal audit department and personnel were complete, which ensured sufficient and effective implementation and supervision of important activities of internal control. The self-estimation report of internal control reflected the conditions of internal control of the Company truly, objectively and completely.

§9 Important Events

I. In the report period, the Company has not been involved in any significant lawsuits or arbitrations.

II. In the report period, the Company does not have any matters related to bankruptcy and reorganization.

III. At the end of the report period, the equity of other companies held by the Company:

Unit: RMB

Stock Code	Stock Abbr.	Initial Investment	Proportion of equity held	Book value at the period end	Gains/ losses in 2009	Changes in Owners' Equity	Item in accounting	Share type
000504	CCID Media	5,707,566	0.30%	0	9,055,042	-6,184,231	Available-for-sale financial assets	Legal person share
30009	Golden-Glass	23,000,000	8.33%	65,501,259	42,501,259	0	Long-term equity investment	Legal person share
Total	-	28,707,566	—-	65,501,259	51,556,301	-6,184,231	-	-

IV. Purchase and sales of assets and proceedings of the enterprise merger.

i Sold the equity of Hainan Wenchang CSG Silica Sand Mine Co., Ltd.

Being approved by the Extraordinary Meeting of 5th Board, 100% equity of Hainan Wenchang CSG Silica Sand Mine Co., Ltd., wholly-owned subsidiary of the Company, were sold to Hainan China Aviation Special Glass Materials Co., Ltd. by the Company with price of RMB 46.31 million.

At present, the Company entered into a contract of long-term supply with CA Special Glass. The supply of these sands is approximately 25% of total required sands of the Company, and supply price will adjusted to the fluctuation of market price correspondingly. Meanwhile, the Company owns three major production bases of sand mines as Heyuan, Jiangyou and Yingde, which can stable supply raw materials to the Comapny. The above mentioned sales event has no significant influence on the Company.

Details of the above transaction found in Notice of Assets Sales and Supplementaty Notice of Assets Sales published at Securities Times, China Securities Journal and Hong Kong Commercial Daily dated 10 November 2010 and 2 December 2010 respectively.

ii Sold the equity of Dongguan CSG Ceramics Technology Co., Ltd.

Being approved by the Extraordinary Meeting of 5th Board, 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.

At present, the Company has become a modernization company with advanced management and more than 10 billion assets. Flat glass industry, Architectural glass industry, Fine glass industry and Solar energy industry of the Company all possess their advantages and influence in the industry. In order to concentrate superior resources to boost sustainable development of the main business, the Company focuses on the major industry and leave minor ones. This transfer of equity will bring the positive impact for optimizing the allocation of resources, improving of assets' quality as well as promote core competence of the Company. The above mentioned sales event has no significant influence on the Company.

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.

V. Proceeding of option incentive

i Grant for restricted A shares of incentive plan

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 granted day of the restricted shares is 16 June 2008. The raised fund is RMB 421,621,200. The validity period was 60 months from the grant date, with the first 12 months as lockup period, and the following 48 months as unlocking period. If the unlocking conditions regulated in the incentive plan are satisfied in each unlocking period, the incentive staffs could apply to unlock 25% of the total amount of restricted shares after 12 months, 24 months, 36 months and 48 months respectively since the granted day.

The details would be founded in relevant notices on China Securities Journal, Securities Times, Wen Wei Po and Juchao website (www.cninfo.com.cn) dated 14 July 2008.

ii The adjustment for buying back price of restricted A share

(i) In July 2009, the Company implemented 2008 Annual Equity Distribution Plan, namely sending cash RMB 1.0 (tax included) per 10 shares to all shareholders. According as regulations in Incentive Plan, the 9th meeting of the 5th Board of Directors adjusted buying back price of the restricted A share to RMB 8.48 per share.

(ii) In May 2010, the Company implemented 2009 Annual Equity 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. According as regulations in Incentive Plan, the 15th meeting of the 5th Board of Directors adjusted buying back price of the restricted A share to RMB 4.78 per share.

iii The write off of restricted A share.

(i) 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, amount 12,062,500 restricted A shares has been bought back and wrote off because the achievement index of the Company 2008 didn't satisfied unlocking conditions in 2009, amount 2,345,000 restricted A shares has been bought back and wrote off because 22 former incentive staffs resigned and didn't accord with the qualification of incentive plan.

(ii) On 13 May 2010, the Company implemented 2009 Annual Equity 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 invigorative 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 restricted shares held by incentive staffs satisfied unlocking conditions in 2010 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 qualification of unlock and has been listed for trading.

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

The details would be founded in relevant notices on China Securities Journal, Securities Times, Wen Wei Po and Juchao website (www.cninfo.com.cn) dated 19 June 2009. And the other details would be founded in 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 and 29 January 2011.

iv Relevant proceedings about the fair value of equity instruments

The fair value of A restricted share on grant date is defined according to the balance between bar price and grant price of A stock on grant date. The right couldn't exercised unless it completes services during waiting period and fulfills the standardized performance qualification. During waiting period, reckon the received services during current period in relevant costs or expenses on the basis of estimated price of equity instruments with exercising condition, in accordance with the fair value on grant date, correspondingly added capital reserve. Subsequent information reflects the number of equity instruments with vesting condition and locking out is different from the previous estimation, so it should be adjusted: On each balance sheet date of waiting period, the Company makes an optimal estimation to revise the predicted number of equity instrument with exercising condition according to the newly received information on changes of number of staffs with exercising condition and other subsequent information. On exercisable date, the final predicted number of equity instruments with exercising condition must be the same with the actual one.

v Influence of annual financial report and operational performance over the implementation of incentive plan

In 2010, the Company needed to confirm costs of staff services of RMB 56.43 million, meanwhile correspondingly added capital reserve of RMB 56.43 million because of the stock incentive plan. It's predicted that from 2011 till 2012 the Company need to confirm costs of staff services, respectively RMB 29.97 million and RMB 8.56 million due to stock incentive plan, meanwhile correspondingly add capital reserves.

VI. Daily related transactions in report period.

Unit: RMB'0000

Related party	Products sales to related party: Transaction amount	Products sales to related party: Proportion in transaction amount with same category(%)	Products purchased from related party: Transaction amount	Products purchased from related party: Proportion in transaction amount with same category(%)
Guangdong Golden-Glass Technology Co., Ltd.	2,979.62	0.38%	2,437.75	0.57%
Total	2,979.62	0.38%	2,437.75	0.57%

The above mentioned related transaction based on the market price. There was no related liabilities contact in the report period.

VII. In the Company, it is never happen irregular possession of fund by majority shareholders and related parties. PricewaterhouseCoopers Zhongtian Certified Public Accountants Co., Ltd. provided special explanation on capital occupation of controlling shareholders and other related parties. (Details could be found on Juchao website.)

VIII. Significant contract and the implementation

i. In the report period, neither has the Company entrusted, contracted or leased other companies' assets, nor have other companies entrusted, contracted or leased the assets of the Company.

ii. In the report period, the Company has not offered any guarantee to any external parties or individuals other than the Company's own subsidiaries. The guarantees that the Company offered to its holding subsidiaries are as follows:

Unit: RMB'0000

Guarantee of the Company for its holding subsidiaries	
Total amount of guarantee for controlling subsidiaries in the report period	99,378
Balance of guarantee for controlling subsidiaries at the end of the report period	48,744
Particulars about the guarantee of the Company(Including the guarantee for the holding subsidiaries)	
Total amount of guarantee	48,744
Proportion of the total guarantee in net assets of the Company (%)	7.63%
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%	6,475
Total amount of guarantee in net assets of the Company exceeded 50%	0
Total amount of guarantee aforesaid	6,475

Independent directors' explanations on the Company's external guarantee is: the Company drew up Administrative Measures for External Guarantee and established perfect internal control system for external guarantee. In the report period, the Company did not offer any guarantee to the company which isn't holding subsidiary of the Company. At the end of 31 December 2010, total guarantee for the holding subsidiaries of the Company is RMB 487.44 million, which accounted for 7.63% of net asset attributable to equity holders of the Company audited. The Company has already disclosed the risk of the guarantee for holding subsidiary. There isn't sign to show that the Company will take responsibility for the default debt of its guarantor subsidiaries. All these above guarantee has been approved by board of directors' meeting or shareholders' meeting, and has fulfilled information disclosure responsibility.

In a word, we think the Company's external guarantee is in accordance with requirements of Notice of China Securities Regulatory Commission on Regulating Listed Companies' Provision of Guaranty to Other Parties(No. ZJF 120 [2005]) and other relevant regulations.

iii. In the report period, the Company has not entrusted others or organizations to conduct assets management or loan

IX. Commitment events

i. The commitments performance of shareholders holding over 5% shares of the Company

China Pingan Trust & Investment Co., Ltd and Citic Securities Co., Ltd. holding over 5% shares of the Company committed: The shares subscribed by private issue in 2007 are forbidden to transfer in 36 months since the last day of private issue.By the end of the report period, they have strictly carried out their promises. At present, the offering private shares held by the above mentioned shareholders have been trade on 20 October 2010.

ii. Additional commitments of the former non-tradable shareholders in the report period.

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 Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. 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.

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

X. Engagement of Certified Public Accountants

In the report period, the Company consecutively engaged Pricewaterhouse Coopers Zhongtian Certified Public Accountants Co., Ltd. as the auditing organization of A share of the Company. Since the year 2002, the above two auditing organizations have provided auditing services for the Company for nine continuous years.

In the report period, the expense that the Company paid to the auditing organization of A-share is RMB 3.08 million. The other expenses, such as evection and living expenses, are conducted by themselves.

XI. Punishment and governance reform

In the report period, none of the Company, the board of directors, supervisors, senior executives, and actual controllers were criticized or condemned by the CSRC, Stock Exchange Department and any other superior governing bodies. There is no situation that the Company received public criticize from the Stock Exchange Department.

XII. Particulars about purchase and sales of the Company's shares

In the report period, the directors, supervisors, senior executives and shareholders who held over 5% shares of the company did never purchase and sell stocks of the Company against relevant rules.

XIII. Other events

i. Corporate bonds

On 23 November 2009, the 2nd Extraordinary Shareholders' General Meeting 2009 of the Company approved Proposal on Issuing Corporate Bonds, and agreed the Company to issue unsecured corporate bonds with the amount of RMB 2 billion, the duration lasts less than 7 years (including 7). The bonds with single period or multiple periods both are allowed, and the Company doesn't plan to distribute and sell bonds to the original shareholders preferentially. These raised funds intend to be used in paying back for short-term bank borrowings and complementing operation capitals of the Company. On the premise of fulfilling listed conditions, Shareholders' General Meeting of Shareholders authorized Board of Directors to deal with the listing issues of the corporate bonds according to relevant regulations of Stock Exchanges.

On 11 October 2010, the bond issuance of the Company have received the approval of Reply on Public Bond Issuance of CSG Holding Co., Ltd. (ZJXK[2010] No. 1369) issued from CSRC.

On 18 October 2010, the Notice of Company Bond Issuance 2010 have published with totaling amount of RMB 2 billion, RMB 100 per piece for issue price. The issuance adopted the combination of publicly offered to social investors on net and agreement offered to institution investor off net.

On 25 October 2010, the bond offering have been closed with the situation as: the bond divided into two varieties with 5-year and 7-year, in which variety I was the 5-year product with RMB 1 billion issuance scale, variety II was the 7-year product with RMB 1 billion issuance scale. At the same time, attached with option of up-regulate coupon rate of issuer and re-sale option of investors. More details found in Notice of Issuance Results on Company Bond 2010 published at China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website(www.cninfo.com.cn) dated 26 October 2010.

ii. Particulars about the reception to investors in the report period.

Date	Place	Method	Name
2010.1.5	Conference room	Interview	Polunin Capital Partners Limited
2010.1.7	Conference room	Interview	China Southern Fund Management Co., Ltd., Harvest Fund Management Co., Ltd., China International Fund Management Co., Ltd., Guojin General Fund Management Co., Ltd.(Preparatory), Lion Fund Management Co., Ltd., Fortune SGAM Fund Management Co., Ltd., Shenzhen Southern Huijin Investment Management Co., Ltd., and Huatai Assets Management Co., Ltd.
2010.1.20	Conference room	Interview	Beijing Gaohua Securities Co., Ltd., Guosen Securities Co., Ltd., Fullgoal Fund Fund Management Co., Ltd., China Assets Management Co., Ltd. and Chilton Investment Company (HK) Limited
2010.2.4	Conference room	Interview	China Post & Capital Fund Management Co., Ltd. and ICBC Credit Suisse Asset Management Co., Ltd.
2010.4.30	Conference room	Interview	Equinox Partner, L.P.
2010.5.14	Conference room	Interview	Haitong Securities Co., Ltd. and Galaxy Fund Management Co., Ltd.
2010.5.19	Conference room	Interview	Hongyuan Securities Co., Ltd.
2010.5.28	Conference room	Interview	China Merchants Securities Co., Ltd. and Baoying Fund Management Co., Ltd.
2010.7.30	Conference room	Interview	Essence Securities Co., Ltd.
2010.8.10	Conference room	Interview	Value Partners Ltd.
2010.8.27	Conference room	Interview	Yinhua Fund Management Co., Ltd.,China Construction Bank Investment Securities Co., Ltd., China Southern Fund Management Co., Ltd., Guohai Securities Co., Ltd.,SYWG BNP Paribas Assets Management Co., Ltd., CITIC Securities Co., Ltd., China Merchants Securities Co., Ltd. and other more than 30 Funds and Securities
2010.9.6	Conference room	Interview	KGI Asia Co., Ltd., Guotai Securities Investmetn Trust Co.,Ltd. and Prudential Securities Investmetn Trust Co.,Ltd.
2010.9.15	Conference room	Interview	Huafu Fund Management Co., Ltd., Guosen Securities Co., Ltd., Ping'an Dahua Fund Management Co., Ltd., Bonny Investment Consultants Co., Ltd., China Nature Assets Management Co., Ltd., Essence Securities Co., Ltd. and Shanghai Tongyuan Investment Development Co., Ltd.
2010.9.20	Conference room	Interview	Taishin Securities Investment Trust Co., Ltd.
2010.10.22	Conference room	Interview	China Merchants Securities Co., Ltd. and Japan Lanze Securities Co., Ltd.
2010.11.3	Conference room	Interview	Guoyuan Consultant (Shenzhen) Co., Ltd., Demo Fund Management Co., Ltd., Shanghai Zhengda Investment Management Co., Ltd., China Kaisi Assets Management Co., Ltd., Shenzhen Shengtian Investment Management Co., Ltd., Shenzhen Wanhe Chengda Investment Co., Ltd., Banyan Investment Management Co., Ltd., Xinsize Investment Management Co., Ltd., Shenzhen Yingtai Investment Management Co., Ltd. and GoldenFaith Asset Management Co.,Ltd
2010.11.5	Conference room	Interview	Jaoan Dai-ichi Life Insurance Company and BOC International Securities Co., Ltd.
2010.11.11	Conference room	Interview	CIMB Group
2010.11.25	Conference room	Interview	Matthews International Funds
2010.12.30	Conference room	Interview	Bohai Securities Co., Ltd. and Huachuang Securities Co., Ltd.
Content discussed and materials supplied			Introducing the disclosed information about operation and production of the Company. The material offered is the 2009 Annual Report.

§10 Financial Reports

Report of the Auditors

PwC ZT Shen Zi (2011) No. 10036

To the shareholders of CSG Holding Co., Ltd.

We have audited the accompanying financial statements of CSG Holding Co., Ltd. ("CSG Company") which is comprised of the consolidated and company balance sheets as at 31 December 2010, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the year then ended and notes to these financial statements.

Management's Responsibility for the Financial Statements

The management of CSG Company is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of CSG Company as of 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company	Certified Public Accountant Zhou Weiran
	Certified Public Accountant Kong Yu

Shanghai, the PRC
18 March 2011

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2010
(All amounts in Rmb Yuan unless otherwise stated)

ASSETS	Note	31 Dec 2010 Consolidated	31 Dec 2009 Consolidated	31 Dec 2010 Company	31 Dec 2009 Company
Current assets					
Cash at bank and on hand	5(1)	787,481,275	653,555,310	373,901,165	370,558,509
Notes receivable	5(2)	362,674,115	247,083,387	-	-
Accounts receivable	5(3)	242,201,307	287,912,855	-	-
Advances to suppliers	5(5)	107,782,146	101,019,512	40,000	300,000
Dividends receivable		-	-	5,298,425	-
Other receivables	5(4), 16(1)	66,622,324	15,377,152	811,564,853	2,074,373,917
Inventories	5(6)	478,735,794	371,296,246	-	-
Other current assets	5(7)	24,914,873	17,500,000	-	-
Total current assets		2,070,411,834	1,693,744,462	1,190,804,443	2,445,232,426
Non-current assets					
Available-for-sale financial assets	5(8)	-	7,528,589	-	7,528,589
Long-term receivables	16(3)	-	-	2,316,038,617	571,250,420
Long-term equity investments	5(9), 16(2)	65,501,259	27,200,000	3,633,845,531	3,037,789,922
Fixed assets	5(11)	8,830,895,516	8,054,820,901	27,627,216	18,831,791
Construction in progress	5(12)	786,077,413	631,983,774	-	-
Intangible assets	5(13)	381,276,917	392,040,050	5,600,854	5,766,855
Research and development expenditure	5(13)	3,142,226	-	-	-
Goodwill	5(14)	18,404,380	18,404,380	-	-
Long-term prepaid expense		1,002,500	162,487	-	-
Deferred tax assets	5(15)	79,877,237	87,465,374	-	-
Other non-current assets	5(16)	233,029,885	-	21,840,000	-
Total non-current assets		10,399,207,333	9,219,605,555	6,004,952,218	3,641,167,577
TOTAL ASSETS		12,469,619,167	10,913,350,017	7,195,756,661	6,086,400,003

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY BALANCE SHEETS
AS AT 31 DECEMBER 2010 (Continued)
(All amounts in Rmb Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	31 Dec 2010 Consolidated	31 Dec 2009 Consolidated	31 Dec 2010 Company	31 Dec 2009 Company
Current liabilities					
Short-term borrowings	5(18)	877,132,815	2,481,152,687	111,620,900	1,714,462,400
Notes payable	5(19)	237,891,481	298,120,810	-	-
Accounts payable	5(20)	950,310,253	988,710,853	-	-
Advances from customers	5(21)	161,127,001	152,085,476	-	-
Employee benefits payable	5(22)	186,997,327	118,810,114	97,163,797	49,393,197
Taxes payable	5(23)	121,232,388	72,035,028	1,198,110	1,226,076
Interest payable	5(24)	24,589,510	14,880,351	1,314,600	1,849,500
Dividends payable	5(25)	687,627	687,627	687,627	687,627
Other payables	5(26),16(4)	161,386,242	117,866,771	480,805,365	112,637,801
Current portion of non-current liabilities	5(27)	75,690,541	63,694,062	-	-
Other current liabilities	5(28)	2,926,872	6,310,532	-	-
Total current liabilities		2,799,972,057	4,314,354,311	692,790,399	1,880,256,601
Non-current liabilities					
Long-term borrowings	5(29)	728,203,612	908,309,884	-	-
Bonds payable	5(30)	1,978,479,422	-	1,978,479,422	-
Special payables		700,008	1,275,002	-	-
Deferred tax liabilities	5(15)	29,507,743	10,333,313	8,149,616	-
Other non-current liabilities	5(31)	173,537,976	68,004,475	-	-
Total non-current liabilities		2,910,428,761	987,922,674	1,986,629,038	-
Total liabilities		5,710,400,818	5,302,276,985	2,679,419,437	1,880,256,601
Owners' equity					
Paid-in capital	5(32)	2,076,721,060	1,223,738,124	2,076,721,060	1,223,738,124
Capital surplus	5(33)	1,309,834,212	2,127,613,867	1,359,890,506	2,170,406,108
Less：Treasury shares	8	(578,000)	(1,492,500)	(578,000)	(1,492,500)
Special reserve	5(34)	5,683,705	-	-	-
Surplus reserve	5(35)	506,530,148	437,054,602	506,530,148	437,054,602
Undistributed profits	5(36)	2,484,699,065	1,526,908,861	573,773,510	376,437,068
Difference on translation of foreign currency financial statements		1,981,019	1,700,207	-	-
Total equity attributable to equity holders of the Company		6,384,871,209	5,315,523,161	4,516,337,224	4,206,143,402
Minority equity	5(37)	374,347,140	295,549,871	-	-
Total owners' equity		6,759,218,349	5,611,073,032	4,516,337,224	4,206,143,402
TOTAL LIABILITIES AND OWNER'S EQUITY		12,469,619,167	10,913,350,017	7,195,756,661	6,086,400,003

The accompanying notes form an integral part of these financial statements.

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	2010 Consolidated	2009 Consolidated	2010 Company	2009 Company
Revenue	5(38)	7,743,941,694	5,279,100,133	78,000	78,000
Less: Cost of sales	5(38)	(4,943,639,993)	(3,435,574,687)	(4,025)	(4,025)
Taxes and surcharges	5(39)	(6,625,698)	(5,131,434)	-	-
Selling and distribution expenses	5(40)	(265,636,421)	(242,211,660)	-	-
General and administrative expenses	5(41)	(556,316,614)	(419,964,357)	(65,576,571)	(62,387,778)
Financial(expenses)/income - net	5(42)	(106,228,512)	(105,546,371)	(1,777,142)	24,782,925
Asset impairment losses	5(44)	(86,485,738)	(16,961,266)	-	-
Add: Investment income	5(43)、16(5)	54,101,502	19,080,703	770,064,332	497,374,680
Operating profit		1,833,110,220	1,072,791,061	702,784,594	459,843,802
Add: Non-operating income	5(45)	59,478,017	31,914,360	220,000	3,502,600
Less: Non-operating expenses	5(46)	(27,241,536)	(115,640,640)	(99,522)	(3,203,962)
Including: Loss on disposal of non-current assets		(24,459,129)	(110,503,681)	(42,842)	(3,962)
Total profit		1,865,346,701	989,064,781	702,905,072	460,142,440
Less: Income tax expenses	5(47)	(268,388,353)	(74,455,290)	(8,149,616)	-
Net profit		1,596,958,348	914,609,491	694,755,456	460,142,440
Attributable to equity holders of the Company		1,455,209,218	831,944,393		
Minority interests		141,749,130	82,665,098		
Earnings per share					
- Basic	5(48)	0.70	0.40	N/A	N/A
- Diluted	5(48)	0.70	0.40	N/A	N/A
Other comprehensive income	5(49)	(5,903,419)	2,674,112	(6,184,231)	(2,674,958)
Total comprehensive income		1,591,054,929	917,283,603	688,571,225	457,467,482
Total comprehensive income attributable to equity holders of the Company		1,449,305,799	834,131,005		
Total comprehensive income attributable to minority interests		141,749,130	83,152,598		

The accompanying notes form an integral part of these financial statements.

CSG HOLDING CO., LTD.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in Rmb Yuan unless otherwise stated)

Items	Notes	2010 Consolidated	2009 Consolidated	2010 Company	2009 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		8,743,690,958	5,150,732,551	-	-
Refund of taxes and surcharges		89,980,777	28,466,554	-	-
Cash received relating to other operating activities	5(50)	76,981,980	58,964,520	4,245,374	1,438,766
Sub-total of cash inflows		8,910,653,715	5,238,163,625	4,245,374	1,438,766
Cash paid for goods and services		(4,763,902,621)	(2,425,658,523)	-	-
Cash paid to and on behalf of employees		(656,468,269)	(446,511,592)	(102,223,655)	(26,762,253)
Payments of taxes and surcharges		(780,765,249)	(503,920,871)	(892,919)	(332,512)
Cash paid relating to other operating activities	5(50)	(343,203,662)	(191,835,213)	(7,806,482)	(10,017,635)
Sub-total of cash outflows		(6,544,339,801)	(3,567,926,199)	(110,923,056)	(37,112,400)
Net cash flows from operating activities	5(51)、16(6)	2,366,313,914	1,670,237,426	(106,677,682)	(35,673,634)
2. Cash flows from investing activities					
Cash received from disposal of investments		33,169,160	20,264,856	33,169,160	20,268,227
Cash received from returns on investments		277,200	1,542,401	702,238,894	593,484,083
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,388,683	3,970,539	-	-
Cash received from disposal of subsidiaries and other companies	5(51)	30,609,872	-	39,737,887	-
Cash received relating to other investing activities	5(50)	79,370,875	172,386,455	19,171,394	28,657,266
Sub-total of cash inflows		158,815,790	198,164,251	794,317,335	642,409,576
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(2,016,485,886)	(1,166,592,457)	(4,236,141)	(3,710,210)
Cash paid to acquire investments		-	(17,500,000)	(580,026,000)	(197,220,000)
Cash paid to acquire subsidiary		-	(19,845,564)	-	-
Cash paid relating to other investing activities	5(50)	-	-	(21,840,000)	(659,463,428)
Sub-total of cash outflows		(2,016,485,886)	(1,203,938,021)	(606,102,141)	(860,393,638)
Net cash flows from investing activities		(1,857,670,096)	(1,005,773,770)	188,215,194	(217,984,062)
3. Cash flows from financing activities					
Cash received from capital contributions		2,500,000	2,500,000	-	-
Including: Cash received from capital contributions by minority equity holders of subsidiaries		2,500,000	2,500,000	-	-
Cash received from borrowings		1,881,627,679	4,488,988,675	425,276,500	2,362,513,800
Cash received from issuing bonds		1,978,200,000	-	1,978,200,000	-
Cash received from other financing activities	5(50)	90,000,000	615,100,000	-	615,100,000
Sub-total of cash inflows		3,952,327,679	5,106,588,675	2,403,476,500	2,977,613,800
Cash repayments of borrowings		(3,653,757,347)	(5,059,443,579)	(2,024,276,500)	(2,251,504,000)
Cash payments for interest expenses and distribution of dividends or profits		(654,080,085)	(358,658,811)	(439,327,843)	(155,379,771)
Including: Cash payments for dividends or profit to minority equity holders of a subsidiary		(89,015,914)	(64,416,978)	-	-
Cash payments relating to other financing activities	5(50)	(127,068,760)	(114,671,700)	(17,738,370)	(114,671,700)
Sub-total of cash outflows		(4,434,906,192)	(5,532,774,090)	(2,481,342,713)	(2,521,555,471)
Net cash flows from financing activities		(482,578,513)	(426,185,415)	(77,866,213)	456,058,329
4. Effect of foreign exchange rate changes on cash and cash equivalents		(1,469,729)	2,416,291	(328,643)	15,370
5. Net increase/(decrease) in cash and cash equivalents	5(51)、16(6)	24,595,576	240,694,532	3,342,656	202,416,003
Add: Cash and cash equivalents at beginning of year		635,618,163	394,923,631	370,558,509	168,142,506
6. Cash and cash equivalents at end of year	5(51)	660,213,739	635,618,163	373,901,165	370,558,509

The accompanying notes form an integral part of these financial statements.

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	Attributable to equity holders of the Company									
		Paid-in capital	Capital surplus	Less: Treasury shares	Special reserve	Surplus reserves	Undistributed profits	Difference on translation of foreign currency financial statements	Sub-total	Minority interests	Total owners' equity
	Note	5(32)	5(33)	8		5(35)	5(36)			5(37)	
Balanced at 1 January 2009		1,237,103,124	2,067,761,896	(12,952,500)	-	391,040,358	863,352,524	(1,698,863)	4,544,606,539	268,410,601	4,813,017,140
Movement for the year ended 31 December 2009											
Net profit		-	-	-	-	-	831,944,393	-	831,944,393	82,665,098	914,609,491
Other comprehensive income	5(48)	-	(1,212,458)	-	-	-	-	3,399,070	2,186,612	487,500	2,674,112
Capital contribution and withdrawal by owners		(13,365,000)	61,819,050	11,460,000	-	-	-	-	59,914,050	6,010,507	65,924,557
- Capital contribution by owners		-	-	-	-	-	-	-	-	2,500,000	2,500,000
- Share-based payments recognised in owner's equity	8	(13,365,000)	61,819,050	11,460,000	-	-	-	-	59,914,050	3,510,507	63,424,557
Business combinations		-	-	-	-	-	-	-	-	1,638,522	1,638,522
Acquisition of minority interests		-	(754,621)	-	-	-	-	-	(754,621)	754,621	-
Profit distribution		-	-	-	-	46,014,244	(168,388,056)	-	(122,373,812)	(64,416,978)	(186,790,790)
- Appropriation to surplus reserves		-	-	-	-	46,014,244	(46,014,244)	-	-	-	-
- Profit distribution to equity owners		-	-	-	-	-	(122,373,812)	-	(122,373,812)	(64,416,978)	(186,790,790)
Balanced at 31 December 2009		1,223,738,124	2,127,613,867	(1,492,500)	-	437,054,602	1,526,908,861	1,700,207	5,315,523,161	295,549,871	5,611,073,032

CSG HOLDING CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in Rmb Yuan unless otherwise stated)

Items		Attributable to equity holders of the Company									
	Note	Paid-in capital	Capital surplus	Less: Treasury shares	Special reserve	Surplus reserves	Undistributed profits	Difference on translation of foreign currency financial statements	Sub-total	Minority interests	Total owners' equity
		5(32)	5(33)	8	5(34)	5(35)	5(36)			5(37)	
Balanced at 1 January 2009		1,223,738,124	2,127,613,867	(1,492,500)	-	437,054,602	1,526,908,861	1,700,207	5,315,523,161	295,549,871	5,611,073,032
Movement for the year ended 31 December 2010											
Net profit		-	-	-	-	-	1,455,209,218	-	1,455,209,218	141,749,130	1,596,958,348
Other comprehensive income	5(48)	-	(6,184,231)	-	-	-	-	280,812	(5,903,419)	-	(5,903,419)
Capital contribution and withdrawal by owners		(2,904,000)	48,755,918	914,500	-	-	-	-	46,766,418	5,299,647	52,066,065
- Capital contribution by owners		-	-	-		-	-	-	-	2,500,000	2,500,000
- Share-based payments recognised in owner's equity	8	(2,904,000)	48,755,918	914,500	-	-	-	-	46,766,418	2,799,647	49,566,065
Profit distribution		-	-	-	-	69,475,546	(497,419,014)	-	(427,943,468)	(89,015,914)	(516,959,382)
- Appropriation to surplus reserves		-	-	-	-	69,475,546	(69,475,546)	-	-	-	-
- Profit distribution to equity owners		-	-	-	-	-	(427,943,468)	-	(427,943,468)	(89,015,914)	(516,959,382)
Internal carry-forward of owners' equity											
- capitalized capital reserves		855,886,936	(855,886,936)	-	-	-	-	-	-	-	-
Special reserves											
- Special reserve appropriated		-	-	-	5,683,705	-	-	-	5,683,705	-	5,683,705
Others											
- Transaction with minority interests		-	(4,464,406)	-	-	-	-	-	(4,464,406)	20,764,406	16,300,000
Balanced at 31 December 2010		2,076,721,060	1,309,834,212	(578,000)	5,683,705	506,530,148	2,484,699,065	1,981,019	6,384,871,209	374,347,140	6,759,218,349

The accompanying notes form an integral part of these financial statements.

CSG HOLDING CO., LTD.

COMPANY STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

(All amounts in Rmb Yuan unless otherwise stated)

Items	Note	Paid-in capital	Capital surplus	Less: Treasury stock	Surplus reserves	Undistributed profits	Total owners' equity
	Note	5(29)	5(30)	8	5(31)		
Balance at 1 January 2009		1,237,103,124	2,107,751,509	(12,952,500)	391,040,358	84,682,684	3,807,625,175
Movement for the year ended 31 December 2009							
Net profit		-	-	-	-	460,142,440	460,142,440
Other comprehensive income		-	(2,674,958)	-	-	-	(2,674,958)
Capital contribution and withdrawal by owners							
-Share-based payments recognised in owner's equity		(13,365,000)	65,329,557	11,460,000	-	-	63,424,557
Profit distribution		-	-	-	46,014,244	(168,388,056)	(122,373,812)
- Appropriation to surplus reserves		-	-	-	46,014,244	(46,014,244)	-
- Profit distribution to equity owners		-	-	-	-	(122,373,812)	(122,373,812)
Balance at 31 December 2009		1,223,738,124	2,170,406,108	(1,492,500)	437,054,602	376,437,068	4,206,143,402
Balance at 1 January 2010		1,223,738,124	2,170,406,108	(1,492,500)	437,054,602	376,437,068	4,206,143,402
Movement for the year ended 31 December 2010							
Net profit		-	-	-	-	694,755,456	694,755,456
Other comprehensive income		-	(6,184,231)	-	-	-	(6,184,231)
Capital contribution and withdrawal by owners							
-Share-based payments recognised in owner's equity	8	(2,904,000)	51,555,565	914,500	-	-	49,566,065
Profit distribution		-	-	-	69,475,546	(497,419,014)	(427,943,468)
- Appropriation to surplus reserves		-	-	-	69,475,546	(69,475,546)	-
- Profit distribution to equity owners		-	-	-	-	(427,943,468)	(427,943,468)
Internal carry-forward of owners' equity							
- Capital surplus convert into capital		855,886,936	(855,886,936)	-	-	-	-
Balance at 31 December 2010		2,076,721,060	1,359,890,506	(578,000)	506,530,148	573,773,510	4,516,337,224

The accompanying notes form an integral part of these financial statements.

CSG HOLDING CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(All amounts in RMB unless otherwise stated)

1 General information

CSG Holding Co Ltd (the “Company”) was incorporated in 1984 in Shenzhen, the People’s Republic of China (the “PRC”), known as China South Glass Company, as a joint venture enterprise by Hong Kong China merchants shipping Co., LTD (香港招商局轮船股份有限公司)、Shenzhen building materials industry corporation(深圳建筑材料工业集团公司)、China North Industries Corporation (中国北方工业深圳公司) and Guangdong international trust and investment corporation (广东国际信托投资公司), with a registered capital of US dollar 500,000. In October 1991, as approved by the Shenzhen municipal government with document SFBF (1991) 828, China South Glass Company was reorganized as joint stock limited company, the registered capital was RMB71,232,550, with nominal value of RMB1 per share.

As approved by People’s Bank of China Shenzhen Branch with document No. SRYFZ (1991)087 and SRYFZ (1992) 010, the Company issued, by public offering, the domestic shares (“A shares”) of 20,300,000 shares and domestically listed foreign shares (“B shares) of 16,000,000, in October 1991 and January 1992, respectively. Both shares were listed in Shenzhen Stock Exchange in February 1992. The registered capital of the Company increased to RMB107,532,550.

As approved by China Securities Regulatory Committee with document (1995) No. 16, State Planning Committee with document JWZ (1994) No. 1748 and State Administrative of Foreign Exchange with document HZF (95) No. 191, the Company issued USD 45 million convertible bonds on Swiss between June and July 1995, of which convertible bonds amounting to USD 44 million had been converted into 75,411,268 B shares, the remaining balances were repaid upon maturity.

The Company issued new capital of RMB832,519,306 during the period from 1993 to 2005 by the means of warrants, bonus issue and capitalisation of capital reserve.

As approved by China Security Regulatory Committee with document ZJFX (2008) No. 231, the Company issued, by private placement, 172,500,000 A shares during the period from 20 September to 27 September 2008, at subscription price of RMB8 per share. The registered capital of the Company increased to 1,187,963,124 upon the completion of the placement.

According to the Company’s restricted A share stock incentive scheme, the Company granted 49,140,000 A shares to employees through a non-public placement on 16 June 2009, at price of RMB8.58 pre share. The registered capital of the Company increased to 1,237,103,124 upon the completion of the issuance.

As 2008 performance of the Group failed to meet the vesting conditions of the A share stock incentive scheme and certain employees left the Group, the Company repurchased and cancelled 13,365,000 A shares in 2009. The company's registered capital was reduced to 1,223,738,124.

As some certain employees left the Group in 2009, the Company repurchased and cancelled 1,042,500 A shares on January 2010. The company's registered capital was reduced to 1,222,695,624(Note 5(32)).

Pursuant to the resolutions of shareholder's meeting on 20 April 2010, the Company paid scrip dividend of 855,886,936 shares, on the basis of issuing 7 shares for each 10 shares by capitalisation of capital surplus. The Company's registered capital was increased to 2,078,582,560 thereafter.

As certain employees left the Group in 2010, the Company repurchased and cancelled 1,861,500 A shares in July 2010. The company's registered capital was reduced to 2,076,721,060 (Note 5(32)).

The Company and its subsidiaries (collectively referred to the "Group") are mainly engaged in the manufacturing and selling of floating glass, specialized glass, engineering glass, ITO glass, ceramics products, energy saving glass, silicon related materials and solar panels.

The financial statements were authorized for issue by the board of directors on 18 March 2011.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements have been prepared in accordance with the Basic Standards and 38 Specific Standards of the Accounting standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business enterprises" or "CAS"), and "Information Disclosure Rule No. 15 for Companies with Public Traded Securities - Financial Reporting General Provision"(2010 Amendment) issued by China Security Regulatory Commission.

As at 31 December 2010, the Group had net current liabilities of RMB 729,560,223. The directors of the Company has assessed the following facts and conditions: a) the Group has been able to generate positive operating cash flows in prior years and expect to do so in the year ending 31 December 2011; b) the Group has maintained good relationship with banks so the Group has been able to successfully renew the bank facilities upon the expiry; in addition, as at 31 December 2010, the Group had unutilised internal banking facilities of approximately RMB10.4 billion. The directors are of view that the above banking facilities can meet the funding requirements of the Group's debt servicing and capital commitment. Accordingly, the directors of the Company had adopted the going concern basis in the preparation of the financial statements of the Company and the Group.

(2) Statement of compliance with the Accounting Standards for Business Enterprises.

The financial statements of the Company for the year ended 31 December 2010 truly and completely present the financial position as of 31 December 2010 and the operating results, cash flows and other information for the year then ended of the Group and the Company in compliance with the Accounting Standards for Business Enterprises.

(3) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving entities under common control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it, the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

Costs directly attributable to business combination are recorded into the profits and losses once incurred.

(b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at the fair value at the acquisition date. The excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Costs directly attributable to business combination are included in the profits and losses once incurred.

(6) Basis of preparation of consolidated financial statements

The scope of consolidation includes the Company and all of its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. For the subsidiary being acquired under common control, it is included in the scope of consolidation from the date it first came under the common control with the Company, the net profit or loss of such subsidiary before the acquisition date should also be separately disclosed in the consolidated income statement.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group. For subsidiaries acquired in a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable assets and liabilities at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of equity and net profits or losses of a subsidiary not belonging to the Company is recognised as minority interests and separately presented in equity and net profits respectively.

If the Company do not loss control of the subsidiary, the differences between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary at the transaction date are recorded in capitalisation reserve for purchase from minority interests. If the capital surplus is not sufficient to be deducted, retained earnings should be adjusted.

(7) Cash and Cash equivalent

Cash and cash equivalents comprise cash in hand, deposits held at call with bank and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currency are translated into RMB using the spot exchange rate on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated at the balance sheet date using the spot exchange rate at the date of the transaction. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for foreign operation are translated at the spot exchange rate on the balance sheet date. Among the owner's equity items, the items other than "undistributed profits" are translated at the spot exchange rate of the transaction date. The income and expense items in the income statements of overseas businesses are translated at the spot exchange rate of the transaction date. The differences arising from the above translation are presented separately in the owner's equities. The cash flows of overseas businesses are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial Instruments

(a) Financial assets

(i) Classification

Financial assets are classified into the following categories at initial recognition: at fair value through profit or loss, loans and receivables and, financial assets available-for-sale. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. The Group has no financial assets at fair value through profit or loss, available-for-sale finance assets, and financial assets held to maturity in 2010.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. Transaction costs of financial assets carried at the fair value through profit or loss are expensed in the income statement; Transaction costs of other financial assets are included in financial assets at initial recognition.

Available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Loans and receivables are measured at amortised cost using the effective interest method.

A gain or loss arising from change in fair value of an available-for-sale financial asset is recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from the translation of monetary financial assets. When such financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in income statement. Interest on available for sale debt instrument, calculated using effective interest method, and cash dividends declared by the investee on available-for-sale equity instruments are recognised as investment income in income statement.

(iii) Impairment of financial assets

The Group assesses the carrying amount of financial assets other than financial assets at fair value through profit or loss at each balance sheet date. If there is objective evidence that the financial asset is impaired, the Group shall determine the amount of any impairment loss accounts.

If an impairment loss on a financial asset carried at amortized cost has been incurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in income statement.

If objective evidence shows that impairment for available-for-sale financial assets will occur, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised as impairment loss. For an available for sale debt instrument, if there is objective evidence that the value of the financial asset recovered and the recovery can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in income statement. For an available for sale equity instrument, if there is objective evidence that the value recovered and the recovery can be objectively related to an event occurring after the impairment loss recognised, the previously recognised impairment loss is reversed and directly recognised in equity.

(iv) Derecognition of financial assets

Financial assets are derecognised when: i) the contractual rights to receive the cash flows from the financial assets have expired; or ii) all substantial risks and rewards of ownership of the financial assets have been transferred; or iii) the control over the financial asset has been waived even if the Group does not transfer or retain nearly all of the risks and rewards relating to the ownership of a financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the aggregate of consideration received and the accumulative amount of changes of fair value originally recorded in the owner’s equity is recognised in the income statement.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: the financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities in the Group mainly comprise of other financial liabilities, including payables, borrowings and corporate bonds.

Payables comprise accounts payable and other payables, which are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently carried at amortised costs using the effective interest method.

Other financial liabilities within one year is presented as current liabilities, while non-current financial liabilities due with one year is reclassified as non-current liabilities due within one year. Others are presented as non-current liabilities.

A financial liability (or a part of financial liability) is derecognised when and only when the obligation specified in the contract is discharged or cancelled. The difference between the carrying amount of a financial liability (or a part of financial liability) extinguished and the consideration paid is recognised in the income statement.

(c) Determination of the fair value of the financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument for which the market is not active is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable, willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, management uses observable market data as much as possible and relies as little as possible on the Group-specific inputs.

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyer.

(a) Receivables that are individually significant and provided for provision seperately

Receivables that are individually significant are subject to separate impairment assessment. A provision for impairment of the receivable is recognised if there is objective evidence that the Group will not be able to collect the full amounts according to the original terms.

The basis or amount for individually significant receivables is individually greater than 20 million.

- The method of provision for impairment of receivables that are individually significant

The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

(b) Receivables that are provided for provision on a basis of group

Receivables that are not impaired after separate assessment and remaining receivables not subject to separate assessment are grouped for impairment assessment, and is provided for the impairment, based on the Group's historical practical loss rate caused by receivables portfolio of similarity or with similar characteristic of credit risk, as well as current situation.

Basis on determine the portfolio is as below:

Portfolio 1	Receivables not impaired after separate assessment

Methods on providing impairment according to portfolio is as below:

Portfolio 1	Percentage of balance method

The percentage of provision for the portfolio:

	Percentage of provision for accounts receivable	Percentage of provision for other receivables
Portfolio 1	2%	2%

(c) Receivables that are not individually significant but provided for provision seperately

Receivables that are provided for impairment separately because objective evidence demonstrate that the Group will not be able to collect those receivables according to original terms.

The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

(d) The Group transfers receivables which have no recourse right to financial institution, the difference between the carrying amount which is trade amount cut the write-off receivables and related tax expenses charged into the income statement.

(11) Inventories

(a) Classification

Inventories include manufacturing sector, presented at the lower of cost and net realisable value.

(b) Inventory costing method

Manufacturing sector inventories include raw materials, work in progress, finished goods and turnover materials. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred based on normal operating capacity.

(c) The determination of net realisable value and the method of provision for impairment of inventories

Provisions for declines in the value of inventories are determined at the carrying value of the inventories net of their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and relevant taxes.

(d) The Group adopts the perpetual inventory system.

(e) Low-value consumption goods and package material amortisation method

Low-value consumption goods and package materials are applying one-off amortisation method.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are all investees over which the Company is able to control. Associates are all investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are measured using the cost method in the Company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements. Interests associates are accounted for using the equity method. Long-term equity investments where the Group does not have control, joint control or significant influence over the investees, and which are not quoted in an active market and whose fair value cannot be reliably measured are measured using the cost method.

(a) Initial recognition

Long-term equity investments accounted for on cost method are measured at the fair value of initial investment cost. As for long-term equity investments accounted for on the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the long-term equity investment is stated at the Group's share of the fair value of the investee's identifiable net assets and the difference is included in income statement.

If the shares granted to the employee of subsidiaries are settled in equity instruments of the Company, the expenses, being determined at the fair value of the equity instruments on grant date, related to the employees' service in current period are recognised as part of the cost of investments in subsidiaries.

(b) Subsequent measurement

When using the cost method, investment income is recognised in income statement for the dividends declared by the investee.

When using the equity method, the Group recognised the investment income based on its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee when the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for bearing additional losses and the obligation meets the recognition criteria of provision under CAS 13 Contingency, the Group continues to recognise the investment losses as provision. For changes in owner's equity of the investee other than those arising from its net profit or loss, the Group record directly in capital surplus for its proportion, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the dividends declared by the investee. Unrealised gains on transactions between the Group and the investees are eliminated to the extent of the Group's interest in the investees. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Definition of control, joint control and significant influence over the investees

Control refers to the power to govern the financial and operating policies of an enterprise, so as to obtain benefits from their operating activities. When assessing whether the Group has control over investee, the existence and effect of potential voting rights that are currently exercisable or convertible, such as convertible bonds and share warrants, are also taken into consideration.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of all the parties sharing control.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries and associates is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)). Once the impairment loss is recognised, it is not allowed to be reversed for any value recovered in the subsequent periods.

(13) Fixed assets

(a) Recognition and initial measurement

Fixed assets comprise buildings, machinery and equipment, motor vehicles, computer and electronic equipment and office equipment.

Fixed asset is recognised when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the economic benefits associated with the fixed asset will flow to the Group and its cost can be reliably measured. The carrying amount of those parts that are replaced is derecognised and all the other subsequent expenditures are recognised in income statement when they are incurred.

(b) Depreciation

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, estimated residual values expressed as a percentage of cost and annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-40 years	5%-10%	2.25% to 9.5%
Machinery and equipment	10-16 years	5%-10%	5.63% to 9.5%
Motor vehicles and others	3-10 years	5%-10%	9% to 31.67%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each financial year-end.

(c) The carrying amount of fix assets is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note2 (18)).

(d) Disposal

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in income statement.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, Installation costs, borrowing costs that are eligible for capitalisation incurred before the assets are ready for their intended use and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use and are depreciate from the next month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).

(15) Borrowing Costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in income statement. Capitalisation of borrowing costs is suspended when the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For a borrowing that is specifically for the purpose of obtaining a qualifying asset, the amounts of borrowing costs eligible for capitalisation are the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of these borrowings.

For the other borrowings related to acquisition, construction and production of a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be the lower of the actual borrowing costs incurred and the amount of qualifying asset not financed by specific borrowings multiplying capitalisation rate. The capitalisation rate is the weighted average interest rate of these borrowings.

(16) Intangible assets

Intangible assets including land use rights and, patents and exploitation rights, intangible assets are measured at cost.

(a) Land use rights

Land use rights are amortized on the straight-line basis over the period of the land use rights from 30 to 70 years. If it is impracticable to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets.

(b) Patents

Patents are amortized on a straight-line basis over periods as stipulated by the contracts.

(c) Exploitation rights

Exploitation rights are amortized on permitted exploitation periods set out on the exploitation certificate.

(d) Periodical review of useful life and amortisation method

The estimated useful life and amortisation method for an intangible asset with an indefinite useful life is reviewed, and adjusted if appropriate at each financial year-end.

(e) Research and development cost

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can finally create an intangible asset.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is recognised as an intangible asset only if all of the following standards are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalized expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date the asset is ready for its intended use.

(f) Impairment of intangible asset

The carrying amount of intangible asset is reduced to the recoverable amount when the recoverable amount is less than the carrying amount (Note 2(18)).

(17) Long-term prepaid expenses

Long-term prepaid expenses represent prepayments that should be amortized over more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at cost net of accumulated amortisation.

(18) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with definite useful lives and long-term equity investments in subsidiaries are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. A provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generated unit (CGU) to which the asset belongs is determined. A CGU is the smallest group of assets that is able to generate independent cash inflows.

Separately recognised goodwill is tested at least annually for impairment, irrespective of whether there is any indication that the asset may be impaired. During the test, the carrying value of goodwill is allocated to the related assets or CGU which is expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset or CGU including the allocated goodwill is lower than their carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill allocated to the assets or groups of assets, and then deducted from the carrying amount of the remaining assets or groups of assets pro rata excluding goodwill.

Once the asset impairment loss mentioned above is recognised, it is not allowed to be reversed for the value recovered in the subsequent periods.

(19) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labor union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

If the Group commits to terminate the employment with an employee before the expiry of the labor contract or provide compensation as a result of an offer made in order to encourage voluntary redundancy, with a formal plan for the termination or has put forward a proposal for voluntary redundancy and is without realistic possibility of withdrawal, the Group shall recognise a liability and a expenses for termination benefit.

Except for the termination benefits, employee benefits except for the severance pay are recognised as a liability in the accounting period in which an employee has rendered service and costs of assets or expenses to whichever the employee service is attributable.

(20) Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which the dividends are approved by the shareholders' meeting.

(21) Share Based Payment

(a) Type of share based payment

Share-based payment is a transaction in which the entity received services from employee or other parties in exchange of equity instruments of the entity, or settlement based on the price of the entity's equity instruments. Share-based payment plan is be classified as either equity-settled share-based payments or cash-settled share-based payments. In this period, there are no cash-settled share-based payment in the Group.

The Group's restricted A share incentive scheme is equity-settled share-based payment to receive employee service, and measured at fair value of the equity instruments granted on grant date. The shares granted are vest after completing service in the vesting period and achieving specified performance. The Group recognised the services received in current period as cost or expense and credit the capital surplus correspondingly, based on the best estimate of the number of equity instruments expected to vest and the fair value of equity instruments at grant date. If subsequent information indicates that the number of equity instruments expected to vest differs from previous estimate, the Group shall revise the estimate accordingly and adjust the number of shares to actual exercised.

The Group's restricted A share incentive scheme which is equity-settled share-based payment to receive employee service by transferring equity instruments to employees in subsidiaries is measured at fair value of the equity instruments granted on grant date.

(b) Method for determination of equity instrument fair value

The fair value of the restricted A share is determined on the market price of the Group's A share on the grant date. The fair value of equity instruments of subsidiaries is determined by the appraisal institutions.

(c) The basis of determining the number of equity instruments expected to be vest

On each balance sheet date during the vesting period, the Group revise its estimates of the number of equity instruments that are expected to vest based on the latest employee turnover rate and other information.

On the vesting date, the actual equity instrument vested is the same with the expected number.

(d) The accounting treatment for subscription, repurchase and cancellation of granted shares

The Group recognise share capital and capital surplus on grant date of restricted shares; The Group recognise treasury shares and reverse capital surplus on the date when it shall repurchase the shares. The Group cancel the share capital and treasury shares on cancellation date.

(22) Provisions

Provisions for restructuring, product warranties and onerous contracts are recognised when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. Provisions are not recognised for future operating losses.

Provisions are initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency such as the risks, uncertainties and the time value of money are taken into account as a whole in reaching the best estimate of an estimated liability. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the estimated liability arising from passage of time is recognised as interest expense.

On each balance sheet date, balances of provisions are reviewed and adjusted where necessary, to reflect the current best estimate.

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Group’s activities as described below:

(a) Sales of goods

Revenue from sales of goods is recognised when the goods are delivered, significant risks and rewards of ownership of the goods are transferred to the buyers, and the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold.

(b) Rendering of services

Service income is recognised under percentage of completion method. The percentage-of-completion is assessed on the basis of the costs incurred as a percentage of total estimated costs.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(24) Government grants

Government grants are the monetary asset the Group receives from the government for free, including tax refund, government subsidies, etc.

Grants from the government are recognised when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions. Government grants are measured at the amounts received or receivable. The non-monetary government grant are measured at fair value, if the fair value cannot be reliably obtained, it is measured at nominal amount.

Government grants relating to assets are recognised as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. The government grants measured at nominal amount is credited to the income statement directly.

Government grants relating to income, which is used to compensate the expenses/costs incurred in future, are recognised as deferred income and then credited to the income statement over the period
necessary to match them with the expenses that they are intended to compensate. Government grants relating to income, which is used to compensate the expenses/costs incurred in the past, are credited to the income statement directly.

(25) Deferred tax asset and deferred tax liability

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax base of assets and liabilities and their carrying amount (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax law. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset and presented on net basis when:

- The deferred taxes are relate to the same taxable entity with same taxation authority, and;
- That entity has a legally enforceable right to offset current tax assets against current tax liabilities.

(26) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease. The Group has no finance lease this year.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease.

(27) Held for sale and discontinued operations

The conditions for a non-current asset or disposal group to be classified as held-for-sale are as follows: 1) The Group has determined to dispose non-current assets or part of business; 2) The Group has signed an irrevocable transfer agreement with assignee; 3) The sale should be completed, or expected to be so, within a year from the date of the classification.

Non-current assets or disposal groups (not including financial assets and deferred tax assets) that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. The difference between fair value less costs to sell and carrying amount, should be presented as impairment loss.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, which is single part of operation and draw up financial statements.

(28) Segment reporting

The Group identifies operating segments based on the internal organization structure, management requirements and the internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions:

(1) the component is able to earn revenues and incur expenses from ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics, and satisfy certain conditions, they are aggregated into a single operating segment.

(29) Safety production reserve

According to relevant regulations of the Ministry of Finance and National Administration of Work Safety, a subsidiary of the Group which is engaged in producing and selling polysilicon appropriate safety production reserve on following basis:

(a) 4% for revenue below RMB10 million of the year;
(b) 2% for the revenue between RMB10 million to RMB100 million of the year;
(c) 0.5% for the revenue between RMB100 million to RMB1 billion of the year;
(d) 0.2% for the revenue above RMB1 billion of the year

The safety production reserve are mainly used for the overhall and maintenance of safety facilities. The safety production costs are charged to profit and loss when appropriated, and saftety production reserve in equity account are credited correspondingly. When use the special reserve, if the expenditures are expenses in nature, the expesens incurred are offset against the special reserve directly when incurred. If the expenditures are capital expenditures, when projects are completed and transferred to fixed assets, the special reserve should be offset against the cost of fixed assets, and a corresponding accumulated depreciation are recognised. The fixed assets are no longer be depreciated in future.

(30) Critical accounting assumptions

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Critical accounting estimates and assumptions

(a) Tax

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. The Group recognizes income taxes in each jurisdiction based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Deferred tax

Estimates on deferred tax assets is based on estimates on amount of taxable income and applicable tax rate for every year. Vary of the future tax rate as well as the reversed time of temporary difference might have effects on tax expense and the balance of deferred tax assets or liabilities. Those estimates may also cause significant adjustment on deferred tax.

(c) Impairment of fixed assets

Fixed assets at the balance sheet date should impairment testing if there are any indications of impairment. Impairment test results show that the asset's recoverable amount is lower than its book value, the difference between them should be written as provision and charge to impairment loss. The recoverable amount is the higher amount which an asset's fair value less disposal expenditure and estimates present value of future cash flows. The Company should make various assumptions, include the future cash flows and discount rate related to non-current assets. If these assumptions cannot be conformed, the recoverable amount should be modified. And these modification may affect to the Group's business performance or financial position.

(d) The useful life of fixed assets

The administration of the Group estimates the useful life of fixed assets, based on historical experiences to fixed assets that have similar properties and functions. When there are differences between actually useful years and previously estimation, the Administration should adjust estimation to useful life of fixed assets. When declared or disposal facilities of lag in technology, fixed assets should be written off or written down. There will be difference between the results of estimation and actual results next accounting period, so that may have significant adjustments to fixed assets in balance sheet.

3 Taxation

(1) The types and rates of taxes applicable to the Group during the current year are set out below:

Type	Taxable basis	Tax rate
Corporate income tax (“CIT”)	Taxable income	7.5% to 25%
Value added tax (“VAT”)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less current period's deductible VAT input)	17%
Business tax	Taxable turnover	5%
Urban construction tax	Total VAT, Business tax and GST	5% to 7%
Educational surtax and surcharge	Total VAT, Business tax and GST	3%
Resource Tax	Quantities of Silica sold	3 Yuan per ton

(2) Tax incentives and approvals

Accordance with the relevant provision of the Corporate Income Tax ("CIT") law, the income tax rate of the company and the subsidiary located in special economic zone will transit to 25% in five years from 2009 to 2012, the current year's applicable income tax rate was 22%.

As approved by Tianjin Wuqing District State Tax Bureau (JSWQJM (2008) No. 317), Tianjin Energy Conservation Glass Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2008 and the applicable corporate income tax rate for current year was 12.5%.

Chengdu CSG Co., Ltd was qualified as foreign investment enterprise in encourage category and established in western areas, and entitled to the western area development tax incentive measures, which was affirmed by CGSH(2008) 154 from tax bureau. With an approval from Chengdu Shuangliu County State Tax Bureau (SGSJM (2007) No. 73) , Chengdu CSG Glass Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2006. The applicable corporate income tax for current year was 7.5%.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan Solar Glass Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2007 and the applicable enterprise income tax rate for current year was 12.5%.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan CSG Architectural Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2008 and the applicable enterprise income tax rate for current year was 12.5%.

With an approval from Guangdong Dongguan State Tax Bureau, Dongguan CSG PV-tech Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2008 and the applicable enterprise income tax rate for current year was 12.5%.
With an approval from Jiangsu Suzhou State Tax Bureau, Wujiang CSG North-east Architectural Glass Co., Ltd enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2008 and the applicable enterprise income tax rate for current year was 12.5%.

With an approval from Hubei Yichang State Tax Bureau, Yichang CSG Silicon Co., Ltd. enjoys the exemption from CIT for two years starting from the first profit marking year after offset the accumulated losses, and half rate for next three years. The first profit making year was 2008 and the applicable enterprise income tax rate for current year was 12.5%.

Tianjin CSG Architectural Glass Co., Ltd. was recognised as a high and new tech enterprise in 2009, and obtained the Certificate of High and New Tech Enterprise, the period of validity is three years. It applies to 15% tax rate in three years since 2009.

Shenzhen CSG Float Glass Co., Ltd. was recognised as a high and new tech enterprise in 2010, and obtained the Certificate of High and New Tech Enterprise, the period of validity is three years. It applies to 15% tax rate three years since 2009.

Shenzhen CSG Display Technology CO., Ltd. was recognised as a high and new tech enterprise in 2010, and obtained the Certificate of High and New Tech Enterprise, the period of validity is three years. It applies to 15% tax rate three years since 2009.

4 Business Combination and Consolidation

(1) Subsidiaries

(a) Subsidiaries established by the Group

	Type of Subsidiary	Place of registration	Type of Business	Registered capital (in RMB ten thousand Yuan)	Nature of business and principal activities	Type of Company	Legal Representative	Organization code
Shenzhen CSG Float Glass Co., Ltd.	Direct	Shenzhen, the PRC	Manufacturing	70,574	Floating Glass manufacturing	Joint Venture	Zhang Fan	618806866
Guangzhou CSG Glass Co., Ltd. (Note (b))	Direct	Guangzhou, the PRC	Manufacturing	26,000	Floating Glass manufacturing	Joint Venture	Zhang Fan	751970446
Chengdu CSG Glass Co., Ltd.	Direct	Chengdu, the PRC	Manufacturing	24,666	Floating Glass manufacturing and Processed glass	Joint Venture	Zhang Fan	75878841-X
Tianjin CSG Architectural Glass Co., Ltd.	Direct	Tianjin, the PRC	Manufacturing	17,800	Processed glass	Joint Venture	Wu Guobin	73847290-1
Tianjin Energy Conservation Glass Co., Ltd.	Direct	Tianjin, the PRC	Manufacturing	12,800	Production of specialized glass	Joint Venture	Wu Guobin	79253038-3
Shenzhen CSG Display Technology Co., Ltd.	Direct	Shenzhen, the PRC	Manufacturing	USD900	Production of monitor display glass	Joint Venture	Ke Hanqi	723033463
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	Direct	Shenzhen, the PRC	Manufacturing	USD1,780	Production of colorful filter glass	Joint Venture	Ke Hanqi	61880717-2
Dongguan CSG Architectural Glass Co., Ltd.	Direct	Dongguan, the PRC	Manufacturing	24,000	Processed glass	Joint Venture	Wu Guobin	78117633-1
Dongguan CSG Solar Glass Co., Ltd.	Direct	Dongguan, the PRC	Manufacturing	20,000	Production of solar glass	Joint Venture	Li Weinan	78117638-2
Yichang CSG Silicon Co., Ltd.	Direct	Yichang, the PRC	Manufacturing	65,248	Production of silicon related materials	Joint Venture	Ke Hanqi	790576740
Wujiang CSG North-east Architectural Glass Co., Ltd.	Direct	Wujiang, the PRC	Manufacturing	32,000	Processed glass	Joint Venture	Wu Guobin	79331343-6
Dongguan CSG PV-tech Co., Ltd.	Direct	Dongguan, the PRC	Manufacturing	30,000	Production of solar battery and applications	Joint Venture	Ke Hanqi	784875904
Hebei CSG Glass Co., Ltd.	Direct	Yongqing, the PRC	Manufacturing	USD4,806	Production of specialized glass	Joint Venture	Zhang Fan	66907553-0
Wujiang CSG Glass Co., Ltd.	Direct	Wujiang, the PRC	Manufacturing	USD4,000	Production of specialized glass	Joint Venture	Zhang Fan	69451657-X
Dongguan CSG Ceramics Technology Co., Ltd.	Direct	Dongguan, the PRC	Manufacturing	5,000	Production of ceramics products	Limited Company	Ke Hanqi	66650604-0
China Southern Glass (Hong Kong) Limited	Direct	Hong Kong	Trading	HKD8,644	Trading and investment holding	Limited Company	Zeng Nan	824279
Hebei Shichuang Glass Co., Ltd.	Direct	Yongqing, the PRC	Manufacturing	24,300	Production of ultrathin electronic glass	Limited Company	Zhang Fan	56485531-1
China Southern Glass (Australia) Limited	Direct	Australia	Trading	AUD50	Trading of glass	Limited Company	Zhang Nan	A.C.N.064305639

	Actual Capital amounts of the year end (in RMB ten thousand Yuan)	Other Item amounts composing actual investment (in RMB ten thousand Yuan)	Stakes (%)	Vote right (%)	The description if the stakes are not equal with the vote right	Consolidate	Minority interest (in RMB ten thousand Yuan)	Losses shared by minority equity holders (in RMB ten thousand Yuan)
Shenzhen CSG Float Glass Co., Ltd.	70,574	7,500	100	100	N.A	YES	-	-
Guangzhou CSG Glass Co., Ltd.	19,500	-	100	100	N.A	YES	-	-
Chengdu CSG Glass Co., Ltd.	9,951	-	75	75	N.A	YES	19,575	-
Tianjin CSG Architectural Glass Co., Ltd.	13,350	-	100	100	N.A	YES	-	-
Tianjin Energy Conservation Glass Co., Ltd.	9,600	18,000	100	100	N.A	YES	-	-
Shenzhen CSG Display Technology Co., Ltd.	USD675	5,074	65.45	75	(i)	YES	7,051	-
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	USD896	5,570	70	75	(i)	YES	5,518	
Dongguan CSG Architectural Glass Co., Ltd.	18,000	8,524	100	100	N.A	YES	-	
Dongguan CSG Solar Glass Co., Ltd.	12,875	-	100	100	N.A	YES	-	
Yichang CSG Silicon Co., Ltd. (i)	45,000	-	93.97	83.3	(i)	YES	4,809	
Wujiang CSG North-east Architectural Glass Co., Ltd.	24,000	5,600	100	100	N.A	YES	-	
Dongguan CSG PV-tech Co., Ltd.	18,750	-	100	100	N.A	YES	-	-
Hebei CSG Glass Co., Ltd.	USD3,605	-	100	100	N.A	YES	-	-
Wujiang CSG Glass Co., Ltd.	USD1,500	-	100	100	N.A	YES	-	-
Dongguan CSG Ceramics Technology Co., Ltd.	5,000	-	100	100	N.A	YES	-	-
China Southern Glass (Hong Kong) Limited	HKD8,644	-	100	100	N.A	YES	-	-
Hebei Shichuang Glass Co., Ltd.	24,300	-	100	100	N.A	YES	-	-
China Southern Glass (Australia) Limited	AUD50	-	100	100	N.A	YES	-	-

The proportion of voting power is determined on the proportion of the Company’s directors to the total directors of the subsidiary.

(b) The subsidiary acquired through business combination involving entities not under common control

	Type of Subsidiary	Place of registration	Type of Business	Registered capital (in RMB ten thousand Yuan)	Nature of business and principal activities	Type of Company	Legal Representative	Organization code
Heyuan CSG Mining Co Ltd	Indirect	Heyuan, the PRC	Manufacturing	1,200	Production of Silica	Limited Company	Zhang Fan	66989568-6

	Actual Capital amounts of the year end (in RMB ten thousand Yuan)	Other Item amounts composing actual investment (in RMB ten thousand Yuan)	Stakes (%)	Vote right (%)	Consolidate	Minority interest (in RMB ten thousand Yuan)	The loss recognised in equity contributed to equity owners of the Company at the excess of the ministry interests' share of loss in subsidiaries for the year over minority interests in equity brought forward (in RMB ten thousand Yuan)
Heyuan CSG Mining Co Ltd	2,778	-	75	75	YES	388	36

(2) The new subsidiary in the scope of the consolidation and the subsidiaries not in the consolidation scope this year

(a) The new subsidiaries in the consolidation scope this year

	Net asset on 31 December, 2010	Net loss in current year
Wujiang CSG Glass Co., Ltd.(i)	129,088,351	7,477,658
Hebei Shichuang Glass Co., Ltd.(ii)	242,606,639	393,361
Yingde Hongsheng Silica Sand Mine. Co., Ltd(iii)	9,983,665	16,335

(i) Wujiang CSG Glass Co., Ltd. was established on 26 September, 2010 in Wujiang in the province of Jiangsu. The proportion of holding share of the Company was 100%, with all capital paid by cash.

(ii) Hebei Shichuang Glass Co., Ltd. was established on 4 November 2010 in Yongqing in the province of Hebei. The proportion of holding share of the Company was 100%, with all capital paid by cash.

(iii) Yingde Hongsheng Silica Sand Mine. Co., Ltd was established on 17 November 2010 in Yingde in the province of Guangzhou. The proportion of holding share of the Company was 75%, with 25% held by the third party. All capital was paid by cash.

(b) The subsidiary not in the consolidation scope this year

	Net asset on disposal date	Net profit from beginning of the year to disposal date
Hainan Wenchang CSG Silica Sand Mine.	46,312,721	5,494,512

The Group disposed entire equity interests in Hainan Wenchang CSG Silica Sand Mine, and it was no longer included in the consolidation scope (Note 4(3)).

(3) Loss of subsidiary resulted from disposal of equity interest

	Disposal date	Method of profit or loss recognition
Hainan Wenchang CSG Silica Sand Mine	30 November 2010	Calculation see Note(3)(iii)

At 30 November 2010, the Company disposed its 100% shares of Hainan Wenchang CSG Silica Sand Mine Co. to Hainan CNAC Special Material Co., Ltd.. The disposal date was at 30 November 2010, the date when the shares transfer agreement was entered into.

(a) Disposal consideration and cash flow are as follows

	Amount
Disposal consideration	46,312,721
Cash and cash equivalents received	39,737,887
Less: Cash and cash equivalent held by Hainan Wenchang CSG Silica Sand Mine	(9,128,015)
Net cash received	30,609,872

(b) Net assets of Hainan Wenchang CSG Silica Sand Mine are as follows:

	Disposed date	31 December 2009
Current Asset	26,712,349	27,462,019
Non-current Asset	31,713,390	34,455,248
Current Liability	(12,113,018)	(11,543,181)
Total	46,312,721	50,374,086

(c) Profit or loss from disposal are as follows:

	Amount
Consideration	46,312,721
Less: Net assets of Hainan Wenchang CSG Silica Sand Mine at disposed date	(46,312,721)
Investment income	-

(d) Revenue, cost and income of Hainan Wenchang CSG Silica Sand Mine from 1 January 2010 to the date of disposal date are as follows:

	Amount
Revenue	45,808,916
Less: Cost and expenses	(38,462,103)
Total Profit	7,346,813
Less: Income tax	(1,852,301)
Net Profit	5,494,512

(4) Exchange rate for the translation of the major foreign operations' financial statements

	Asset and Liability Items		Revenue, cost, expense and cash flow items
	31 December 2010	31 December 2009	
China Southern Glass (Hong Kong) Limited	1HKD=0.8509RMB	1HKD=0.8805RMB	The spot exchange rate on transaction date
China Southern Glass (Australia) Pty Ltd.	1AUD=6.7139RMB	1AUD=6.1294RMB	The spot exchange rate on transaction date

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash on hand						
RMB	—	—	26,438	—	—	21,058
HKD	6,159	0.8509	5,241	8,521	0.8805	7,503
USD	3,981	6.6227	26,365	3	6.8282	20
EUR	5	8.8065	44	-	9.7971	-
AUD	200	6.7139	1,343	200	6.1294	1,226
JPY	-	0.0813	-	20,244	0.0738	1,494
			59,431			31,301
Cash at bank						
RMB	—	—	536,004,238	—	—	598,127,156
HKD	5,226,465	0.8509	4,447,199	4,822,760	0.8805	4,246,440
USD	9,866,622	6.6227	65,343,680	2,904,322	6.8282	19,831,291
EUR	128	8.8065	1,130	4,201	9.7971	41,158
AUD	2,044,840	6.7139	13,728,849	1,929,160	6.1294	11,824,593
JPY	5,535	0.0813	450	99,959	0.0738	7,377
			619,525,546			634,078,015
Other cash balances						
RMB	—	—	167,824,062	—	—	19,444,970
HKD	1,129	0.8509	961	1,129	0.8805	994
USD	3	8.8065	27	3	9.7971	30
EUR	10,612	6.7139	71,248	-	-	-
			167,896,298			19,445,994
			787,481,275			653,555,310

Other cash balances include margin deposits for issuing letters of credit and bank acceptance notes, amounted to RMB127,267,536 (2009: RMB17,937,137), which is restricted cash.

(2) **Notes receivable**

	31 December 2010	31 December 2009
Trade acceptance notes	66,165,045	18,808,896
Bank acceptance notes	296,509,070	228,274,491
	362,674,115	247,083,387

(3) **Accounts receivable**

	31 December 2010	31 December 2009
Accounts receivable	247,322,538	293,672,037
Less: provision for bad debts	(5,121,231)	(5,759,182)
	242,201,307	287,912,855

(a) The aging of accounts receivables are analysed below:

	31 December 2010	31 December 2009
Within 1 year	244,914,839	288,895,718
1 to 2 years	1,013,654	3,568,788
2 to 3 years	1,394,045	1,000,286
3 to 4 years	-	84,347
4 to 5 years	-	7,826
Over 5 years	-	115,072
	247,322,538	293,672,037

(b) Accounts receivable are analysed by categories as follows:

	31 December 2010				31 December 2009			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	Amount	% of total balance	Provision for bad debts	Provision coverage	Amount	% of total balance	Provision for bad debts	Provision coverage
Individually significant and provided for bad debts seperately	-	-	-	-	-	-	-	-
Provided for bad debts by portfolio								
Portfolio 1	247,322,538	100%	(5,121,231)	2%	293,672,037	100%	(5,759,182)	2%
Individually not significant but provided for bad debts seperately	-	-	-	-	-	-	-	-
	247,322,538	100%	(5,121,231)	2%	293,672,037	100%	(5,759,182)	2%

(c) As at 31 December 2010, the Group did not have any accounts receivable individually significant and provided for bad debts separately.

(d) Those provision for bad debts by portfolio which was provided according to the proportion of balance is analysed as below:

	31 December 2010			31 December 2009		
Portfolio Name	Amount	Provision coverage	Provision for bad debts	Amount	Provision coverage	Provision for bad debts
Portfolio 1	247,322,538	2%	(5,121,231)	293,672,037	2%	(5,759,182)

(e) As at 31 December 2010, the Group did not have any accounts receivable not individually significant but provided for bad debts separately.

(f) Accounts receivables of RMB571,300 were written off this year, all of which are small accounts receivable and none of them was arised from related-party transactions. The reasons for written off include disputes with customers and unable to contact with creditors and etc.

(g) The Group did not have any balances due by parties having 5% or above voting rights in the Company.

(h) As at 31 December 2010, the Group's five largest accounts receivable balances are set out below.

	Relationship	Amount	Aging	% of total balance
Customer A	Independent	39,643,337	With 1 year	16.03%
Customer B	Independent	23,290,475	With 1 year	9.42%
Customer C	Independent	15,004,105	With 1 year	6.07%
Customer D	Independent	12,300,639	With 1 year	4.97%
Customer E	Independent	9,189,406	With 1 year	3.72%
		99,427,962		40.21%

(i) Amount due to related parties of the Group is analysed as below.

		31 December 2010			31 December 2009		
	Relationship	Amount	Percent of Accounts Receivable (%)	Provision	Amoun	Percent of Accounts Receivable (%)	Provision
Guangdong Golden Glass Co., Ltd. (hereinafter referred to as " Golden Glass")	Associate	83,153	0.03%	(1,663)	4,528,089	1.54%	(90,562)

(j) The following balances were dominated in foreign currency.

	31 December 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	4,874,830	0.8509	4,147,993	9,023,773	0.8805	7,945,432
USD	10,510,142	6.6227	69,605,518	10,688,678	6.8282	72,984,432
EUR	57,954	8.8065	510,372	613,557	9.7971	6,011,077
AUD	66,248	6.7139	444,782	93,980	6.1294	576,041
JPY	9,143,493	0.0813	743,366	30,494,620	0.0738	2,250,503
			75,452,031			89,767,485

(4) **Other receivables**

	31 December 2010	31 December 2009
Deposits with contractors	16,971,211	6,222,948
Payments on behalf of other parties	7,705,219	3,391,096
Staff advances	2,779,008	4,075,089
Export tax rebates receivable	38,966,530	
Others	4,450,874	5,921,759
	70,872,842	19,610,892
Less: Provision for bad debts	(4,250,518)	(4,233,740)
	66,622,324	15,377,152

(a) The aging of other receivables are analysed below:

	31 December 2010	31 December 2009
With 1 year	67,324,526	12,366,348
1 to 2 years	427,641	3,086,485
2 to 3 years	171,646	49,001
3 to 4 years	3,000	1,498,877
4 to 5 years	1,490,277	1,435,248
Over 5 years	1,455,752	1,174,933
	70,872,842	19,610,892

(b) As at 31 December, 2010, the Group did not have any accounts receivable individually significant and provided for bad debts separately.

(c) Other receivables are analysed by categories as below:

	31 December 2010				31 December 2009			
	Amount	% of total balance	Provision for bad debts	Provision coverage	Amount	% of total balance	Provision for bad debts	Provision coverage
Individually significant and provided for bad debts seperately	-	-	-	-	-	-	-	-
Provided for bad debts by portfolio								
Portfolio 1	68,032,106	96%	(1,409,782)	2%	15,656,387	80%	(279,235)	2%
Individually not significant but provided for bad debts seperately	2,840,736	4%	(2,840,736)	100%	3,954,505	20%	(3,954,505)	100%
	70,872,842	100%	(4,250,518)	6%	19,610,892	100%	(4,233,740)	22%

(d) Those provision for bad debts by portfolio which was provided according to the percentage of balance is analysed as below:

31 December 2010			31 December 2009		
Book Value	Provision Coverage	Provision	Book Value	Provision Coverage	Provision
68,032,106	2%	(1,409,782)	15,656,387	2%	(279,235)

(e) As at 31 December 2010, the provisions for other receivables that are not individually significant but are subject to separate impairment assessment are analysed below:

	Amount	Provisions	% of total balance	Reasons
IANUA S.P.A	1,490,277	(1,490,277)	100%	Concluded as not be recovered
Guangdong Shilian Company Limited.	810,344	(810,344)	100%	Concluded as not be recovered
Chen Ji	278,767	(278,767)	100%	Can not reach the debtors
Cai Dirong	261,348	(261,348)	100%	Can not reach the debtors
	2,840,736	(2,840,736)		

(f) Other receivables of RMB1,172,727 were written off this year, all of which are small accounts receivable and none of them was arised from related-party transactions. The reasons for written off include disputes with customers and unable to contact with creditors and etc.

(g) The Group did not have any balances which were due by parties having 5% or above voting rights in the Company.

(h) As at 31 December 2010, the largest five balances are set out below:

	Relationship	Amount	Aging	% of total balance
Shenzhen Gas Group Co., Ltd.	Independent third party	10,000,000	With 1 year	14.11%
Financial Bureau of Land Margin Account in Wujiang Economic Development Area	Independent third party	6,370,000	With 1 year	8.99%
Construction Bureau of Jiangyou City	Independent third party	923,000	With 1 year	1.30%
Guangdong World Union Industrial (Group) Co., Ltd.	Independent third party	810,344	Over 5 years	1.14%
Construction Bureau of Shuangliu County	Independent third party	574,265	With 1 year	0.81%
		18,677,609		26.35%

(i) There is no amount due from related parties of the Group.

(j) The balances of other receivables are mainly denominated in RMB.

(5) **Advance to suppliers**

(a) The aging of advance to suppliers are all within one year.

(b) As at 31 December 2010, the five largest advances to supplies are set out below.

	Relationship	Amount	% of total balance	Payment time	Reason for unsettlement
Supplier A	Independent third party	14,312,405	13.28%	2010	Prepayment for fuels
Supplier B	Independent third party	10,000,000	9.28%	2010	Prepayment for raw materials
Supplier C	Independent third party	7,519,807	6.98%	2010	Prepayment for raw materials
Supplier D	Independent third party	6,547,346	6.07%	2010	Prepayment for equipment
Supplier E	Independent third party	5,070,114	4.70%	2010	Prepayment for freight expense
		43,449,672	40.31%		

(c) The Group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

(d) There is no advance to related companies of the Group.

(e) The balances of advance to suppliers are dominated in RMB.

(6) **Inventories**

(a) The inventory is categorised as below:

	31 December 2010			31 December 2009		
	Book Balance	Provision for declines in the value of inventories	Net book value	Book Balance	Provision for declines in the value of inventories	Net book value
Raw materials	241,967,312	-	241,967,312	147,216,695	-	147,216,695
Work in progress	26,907,734	-	26,907,734	15,296,953	-	15,296,953
Finished goods	170,622,657	(5,479)	170,617,178	169,919,822	(1,474,305)	168,445,517
Package materials	40,870,900	(1,627,330)	39,243,570	35,086,365	(392,709)	34,693,656
Properties held for sale	-	-	-	25,540,139	(19,896,714)	5,643,425
	480,368,603	(1,632,809)	478,735,794	393,059,974	(21,763,728)	371,296,246

(b) The provisions for declines in the value of inventories is analysed below:

	31 December 2009	Additions	Less: Reverse	Less: Written off	31 December 2010
Finished goods	1,474,305	333,547	(1,276,584)	(525,789)	5,479
Package materials	392,709	1,234,621	-	-	1,627,330
Properties held for sale	19,896,714	-	-	(19,896,714)	-
	21,763,728	1,568,168	(1,276,584)	(20,422,503)	1,632,809

(c) The provisions for declines in the value of inventories is analysed below:

	Basis for accrued inventory write-down provision	Reasons of inventory write-down provision reversal	The proportion of reversal to inventory year end balance
Finished goods	The amount of book value reduce net realisable value	Net realisable value rising	0.7%
Package materials	The amount of book value reduce net realisable value	-	-
Properties held for sale	The amount of book value reduce net realisable value	-	-

(7) **Other current assets**

	31 December 2010	31 December 2009
Guaranteed financial products	-	17,500,000
Non-current assets held for sale(a)	24,914,873	-
	24,914,873	17,500,000

(a) The Company will dispose the entire equity interests in Dongguan CSG Ceramics Technology Co., Ltd ("Dongguan Ceramics") in 2011 to a third party, all fix assets excluding those buildings that will not be disposed of according to the share transfer agreement were reclassified as non-current assets held for sale (Note5(11)).

(8) Available-for-sale financial assets

	31 December 2010	31 December 2009
Available-for-sale equity instruments	-	7,528,589
Less: Impairment	-	-
	-	7,528,589

(9) Long-term equity investments

	31 December 2010	31 December 2009
Associates－with quoted price(Note(a))	65,501,259	-
Other long-term equity investments (Note (b))	444,997	27,644,997
Less: Provision for impairment of long-term equity investments (Note (c))	(444,997)	(444,997)
	65,501,259	27,200,000
The fair value of associates stated above with quoted price:	328,800,000	-

Golden Glass, an associate of the Group was listed on 8 July 2010. The Group held 100,000,000 shares of Golden Glass, of which 771,380,000 shares was restricted in 12 month since Golden Glass's listing and the rest 228,620,000 shares was restricted in 36 month since its lising. Besides, the long-term equity investments of the Group are not subject to restriction on conversion into cash.

(a) Associates

			Movement in the year				
	Original Cost	31 December 2009	Transfer in this year	Net profit or loss by adjusted under equity method	declared cash dividend	Other equity movement	31 December 2010
Golden Glass	23,000,000	-	23,000,000	4,410,185	-	38,091,074	65,501,259

	Method	Proportion of stake	Proportion of voting rights	Notes for difference between proportion of stake and voting rights	Provision	Provision made in this year
Golden Glass	Equity Method	8.33%	8.33%	None	-	-

The Management assessed the nature of investment in Golden Glass in current year.

Although the voting rights in Golden Glass was less than 20%, one director of Golden Glass was appointed by the Group, so the Group has significant influence in Golden Glass and it was accounted as an associate. The fair value of associats with quoted price was determined by the quoted price as at 31 December 2010.

(b) Other long-term equity investments

	Method	Original Cost	31 December 2009	Movement in the year	31 December 2010	Cash dividends declared this year
Golden Glass (Note(a))	Cost Method	23,000,000	23,000,000	(23,000,000)	-	
Beijing Wan Tong Industrial Co., Ltd.	Cost Method	4,200,000	4,200,000	(4,200,000)	-	277,200
Hainan Pearl River Construction Co., Ltd.	Cost Method	395,000	395,000	-	395,000	-
Hainan Heng Tong Industrial Co., Ltd.	Cost Method	49,997	49,997	-	49,997	-
		27,644,997	27,644,997	(27,200,000)	444,997	277,200

(c) Provision for impairment of long-term equity investments

	31 December 2009	Additions	Deduction	31 December 2010
Hainan Pearl River Construction Co., Ltd.	395,000	-	-	395,000
Hainan Heng Tong Industrial Co., Ltd.	49,997	-	-	49,997
	444,997	-	-	444,997

As the Group could not contact with these companies, the Company has no related financial information about them, and gave full of impairment to these long-term equity investment.

(10) **Investment of Associates**

			30 September 2010			Nine months ended 30 September 2010	
	Proportion of equity	Proportion of voting rights	Total Asset	Total Liability	Net Asset	Income	Net Income
Golden Glass	8.33%	8.33%	965,299,902	193,987,327	771,312,575	198,538,510	30,297,466

(11) **Fixed asset**

	31 December 2009	Additions	Deductions	31 December 2010
Original cost	9,869,028,932	1,545,334,781	(306,718,763)	11,107,644,950
Buildings	2,228,668,763	240,627,157	(46,044,869)	2,423,251,051
Machinery and equipment	7,434,311,116	1,290,120,884	(242,108,901)	8,482,323,099
Motor vehicles and others	206,049,053	14,586,740	(18,564,993)	202,070,800
			-	
Accumulated depreciation	1,660,472,424	545,498,229	(157,140,519)	2,048,830,134
Buildings	218,276,570	71,164,945	(14,488,738)	274,952,777
Machinery and equipment	1,338,478,070	453,500,118	(126,105,794)	1,665,872,394
Motor vehicles and others	103,717,784	20,833,166	(16,545,987)	108,004,963
Total book value	8,208,556,508	—	—	9,058,814,816
Buildings	2,010,392,193	—	—	2,148,298,274
Machinery and equipment	6,095,833,046	—	—	6,816,450,705
Motor vehicles and others	102,331,269	—	—	94,065,837
Total provision for impairment loss	153,735,607	85,071,300	(10,887,607)	227,919,300
Buildings	8,124,640	-	(4,291,087)	3,833,553
Machinery and equipment	145,574,854	85,071,300	(6,596,520)	224,049,634
Motor vehicles and others	36,113	-	-	36,113
Net book value	8,054,820,901	—	—	8,830,895,516
Buildings	2,002,267,553	—	—	2,144,464,721
Machinery and equipment	5,950,258,192	—	—	6,592,401,071
Motor vehicles and others	102,295,156	—	—	94,029,724

At 31 December 2010, the buildings which carrying amount of RMB7,429,551 (Original Cost: RMB9,045,679) were pledged for a long-term loan due within one year amounted to RMB3,801,425 (31 December 2009: RMB3,927,069) (Note5 (27))

The depreciation charged in 2010 was RMB545,498,229 (2009, RMB436,054,006). These amount charged into cost of sale, selling expense and administrative expense were RMB519,573,726, RMB1,550,418 and RMB24,374,805 (2009: RMB408,380,334, RMB1,310,676 and RMB26,362,996).

The amount of fixed assets transferred from constructions in progress was RMB1,462,784,053 (2009: RMB3,106,914,792).

(a) Fixed asset held for sale

At 31 Dec 2010, the fixed assets held for sale by the group are listed as below:

	Book value
Equipment	20,916,785
Transportation vehicles and others	3,998,088
	24,914,873

(b) As at 31 December 2010, Buildings Ownership Certificates for certain buildings of the Group with carrying amounts of approximately RMB1,183,450,183 (cost of RMB1,324,528,563) (2009: carrying amount of RMB1,081,491,599, cost of RMB1,186,863,762) had not yet been obtained by the Group. Included were certain buildings with carrying amounts of RMB 601,178,793 (cost of RMB 652,067,903) (2009: carrying amount of RMB 801,617,221, cost of RMB864,760,539) because the land ownership certificates of the lands on which these buildings located had not been obtained. The Company's directors are of the view that there is no legal restriction for the Group to apply for and obtain the Buildings Ownership Certificates and there will not be any significant adverse impact on the operations of the Group.

(12) Construction in progress

	31 December 2010			31 December 2009		
	Book Value	Impairment Provision	Net Book Value	Book Value	Impairment Provision	Net Book Value
Wujiang float glass project	192,453,529	-	192,453,529	-	-	-
Wujiang energy glass expansion project	80,188,309	-	80,188,309	-		-
Jiangyou placer project	65,169,656	-	65,169,656	13,430,282	-	13,430,282
Yichang polycrystalline silicon technically improvement project	61,831,057	-	61,831,057	-	-	-
Dongguan energy glass expansion project	59,807,347		59,807,347	5,245,122	-	5,245,122
Tianjin coating film B line improvement (i)	55,404,671	-	55,404,671	-	-	-
Dongguan Solar Glass PV-tech Battery Expansion project	25,099,265	-	25,099,265	50,030,253	-	50,030,253
Yichang 100MW silicon slice project	43,632,950	-	43,632,950	-	-	-
Dongguan solar energy glass third phase	43,532,941	-	43,532,941	-	-	-
Hebei CSG cogeneration project	20,312,073	-	20,312,073	419,325	-	419,325
Chengdu new coating film production line	15,783,337	-	15,783,337	107,807,773	-	107,807,773
Hebei Shichuang glass project	13,532,207	-	13,532,207	-	-	-
Shenzhen Float TCO project	7,847,824	-	7,847,824	72,062,161	-	72,062,161
Dongguan Project energy conservation glass project	5,940,269	-	5,940,269	23,810,468	-	23,810,468
Tianjin energy conservation glass project	147,525	-	147,525	121,098,664	-	121,098,664
Shenzhen Float the second line modification works (i)	-	-	-	123,146,669	-	123,146,669
Yichang 600MW silicon slice project	-	-	-	57,704,714	-	57,704,714
Others	97,417,355	(2,022,902)	95,394,453	59,251,245	(2,022,902)	57,228,343
	788,100,315	(2,022,902)	786,077,413	634,006,676	(2,022,902)	631,983,774

(a) Movement of Significant Project

Name of projects	Budget	31 December 2009	Current year additions	Transfer to fixed assets during the current year	31 December 2010	Proportion between Engineering input and budget	Amount of accumulated interest capitalised	Amount of interest capitalised in 2010	Capitalisation rate for 2010	Source of fund
Wujiang float glass project	970,102,952		192,453,529	-	192,453,529	19%	2,144,394	2,144,394	5.33%	self capital and loan from bank
Wujiang energy glass expansion project	479,000,000	-	80,188,309	-	80,188,309	40%	658,999	658,999	2.47%	self capital and loan from bank
Jiangyou placer project	108,505,239	13,430,282	52,155,513	(416,139)	65,169,656	60%	-	-	-	self capital
Yichang polycrystalline silicon technically improvement project	138,720,000	-	71,447,422	(9,616,365)	61,831,057	52%	1,263,600	1,263,600	5.35%	self capital and loan from bank
Yichang 600MW silicon slice project	246,662,048	57,704,714	179,326,690	(237,031,404)	-	96%	2,959,333	2,539,425	5.35%	
Dongguan energy glass expansion project	130,740,000	5,245,122	54,562,225	-	59,807,347	46%	-	-		self capital and loan from bank
Tianjin coating film B line improvement (i)	24,500,000	-	55,404,671	-	55,404,671	84%	97,959	97,959	3.50%	self capital
Dongguan Solar Glass PV-tech Battery Expansion project	161,553,704	50,030,253	118,955,724	(143,886,712)	25,099,265	105%	1,520,849	60,000	5.22%	self capital and loan from bank
Yichang 100MW silicon slice project	250,000,000	-	43,632,950	-	43,632,950	17%	312,110	312,110	5.35%	self capital and loan from bank
Dongguan solar energy glass third phase	555,576,800	-	43,532,941	-	43,532,941	8%	-	-	-	self capital and loan from bank
Chengdu new coating film production line	291,925,778	107,807,773	166,025,088	(258,049,524)	15,783,337	94%	12,613,556	8,902,906	5.36%	
Hebei Shichuang glass project	375,536,452	-	13,532,207	-	13,532,207	4%	-	-	-	self capital
Shenzhen Float TCO project	98,747,000	72,062,161	19,679,319	(83,893,656)	7,847,824	92%	1,521,902	353,682	2.10%	self capital and loan from bank
Dongguan Project energy conservation glass project	677,764,053	23,810,468	39,940,869	(57,811,068)	5,940,269	104%	-	-	-	self capital
Tianjin energy conservation glass project	412,142,361	121,098,664	10,859,788	(131,810,927)	147,525	97%	1,684,900	157,677	1.61%	self capital and loan from bank
Shenzhen Float the second line modification works (i)	192,420,000	123,146,669	171,765,020	(294,911,689)	-	90%	2,120,248	2,120,248	2.05%	self capital and loan from bank
		574,336,106	1,313,462,265	(1,217,427,484)	670,370,887		26,897,850	18,611,000		

(i) Such projects were production line modification, the proportion of project input by the budget was determined by the proportion which was actually incurred cost by modification budget

(b) **Provision for impairment of Construction in Progress**

Name	31 December 2009	Addition	Deduction	31 December 2010	Reason for provision
Yichang Silicon products project	2,022,902	-	-	2,022,902	Equipments not suitable or will not for use. Provision is determined by the difference between carrying amount and estimated net selling price.

(c) **Progress analyse of significant Construction in progress**

	Progress	Note
Wujiang float glass project	38%	Physical progress of the construction work
Wujiang energy glass expansion project	45%	Physical progress of the construction work
Jiangyou placer project	60%	Physical progress of the construction work
Yichang polycrystalline silicon technically improvement project	70%	Physical progress of the construction work
Dongguan energy glass expansion project	40%	Physical progress of the construction work
Tianjin coating film B line improvement (i)	60%	Physical progress of the construction work
Yichang 100MW silicon slice project	20%	Physical progress of the construction work
Dongguan solar energy glass third phase	15%	Physical progress of the construction work
Chengdu new coating film production line	94%	Physical progress of the construction work
Hebei Shichuang glass project	5%	Physical progress of the construction work

(13) **Intangible assets**

	31 December 2009	Additions	Decrease	31 December 2010
Total original cost	464,700,277	12,976,561	(7,014,338)	470,662,500
Land use rights	390,004,881	987,757	(3,126,416)	387,866,222
Patents	60,011,731	2,165,549	-	62,177,280
Exploitation rights	8,216,507	107,701	(3,867,672)	4,456,536
Others	6,467,158	9,715,554	(20,250)	16,162,462
Accumulated amortisation	72,660,227	17,938,128	(1,212,772)	89,385,583
Land use rights	64,271,334	10,336,002	(723,623)	73,883,713
Patents	7,284,758	6,006,559	-	13,291,317
Exploitation rights	461,775	766,804	(486,786)	741,793
Others	642,360	828,763	(2,363)	1,468,760
Net book value	392,040,050			381,276,917
Land use rights	325,733,547	–	–	313,982,509
Patents	52,726,973	–	–	48,885,963
Exploitation rights	7,754,732	–	–	3,714,743
Others	5,824,798	–	–	14,693,702

In 2010, the amortisation amount is RMB17,938,128 (2009：RMB12,673,363)

As at 31 December 2010, ownership certificates of land use right (“Land ownership Certificates”) for certain land use rights of the Group with carrying amounts of approximately RMB 50,481,776 (Original cost: RMB 55,597,474) had not yet been obtained by the Group (2009, net book value: RMB 62,866,841, Original cost: RMB 69,952,500). The Company’s directors are of the view that there is no legal restriction for the Group to apply for and obtain the Land Ownership Certificates and there will not be any significant adverse impact on the operations of the Group. The management expected that the land use right certificates can be obtained in 2011.

Research expenditure is analysed below:

	31 December 2009	Current year additions	Decrease: Recognised as expense	Decrease: Recognised as intangible asset	31 December 2010
Development expenditure	-	47,670,153	(33,706,806)	(10,821,121)	3,142,226

In 2010, the total amount of research and development expenditures of the Group is R,B78,486,660(2009, 54,075,217), including RMB64,523,313(2009, RMB54,075,217) recorded in income statement. In 2010, RMB47,670,153 (2009, Nil) was recognised as development expenditures, RMB10,821,121(2009, nil) was recognised as intangible assets. The proportion of development expenditures is 61%(2009, 0%) of total development and research expenditures (2009, 100%). As at 31 December 2010, the proportion of intangible assets arised from internal research and development accounted for 2.84% of total of intangible assets(2009: 0%).

(14) **Goodwill**

	31 December 2009	Addition	Deduction	31 December 2010
Goodwill				
Tianjin CSG Architectural Glass Co., Ltd.	3,039,946	-	-	3,039,946
Heyuan CSG Mining Co., Ltd.	15,364,434	-	-	15,364,434
	18,404,380	-	-	18,404,380

The management determined the recoverable amount of goodwill based on estimation of cash flow in the next five years. The management determined the estimated value of marginal profit by historical experiences and expected development of market. The weighted average growth rate they used agreed with the report in the same industry.The discount rate adopted was pre-tax rate and reflected the special risk related with operation. The directors of the company considered that goodwill do not have impairment risk at 31 December 2010, so it is not necessary to accrued impairment.

(15) **Deferred income tax assets and liabilities**

(a) Deferred income tax assets before offset

	31 December 2010		31 December 2009	
	Deferred income tax assets	The temporary differences	Deferred income tax assets	The temporary differences
Provisions for impairment of assets	52,076,731	241,391,757	36,882,176	147,392,425
Start-up cost	561,422	4,267,525	1,152,644	7,053,775
Accrued expense	2,148,025	15,788,741	3,832,701	17,219,821
Tax loss	20,286,588	106,520,834	43,179,695	225,114,064
Provisions	510,000	3,400,000	779,681	3,118,726
Special payables	5,332,153	22,053,600	1,850,719	24,235,000
Accumulated depreciation	2,167,204	9,131,292	885,904	4,225,431
	83,082,123	402,553,749	88,563,520	428,359,242

(b) Deferred income tax liabilities before offset

	31 December 2010		31 December 2009	
	Deferred income tax assets	The temporary differences	Deferred income tax assets	The temporary differences
Accumulated depreciations	3,204,886	13,749,631	1,956,728	8,000,577
Investment income	9,783,577	42,501,259	-	-
Withholding income tax(i)	19,724,166	380,548,330	9,474,731	189,494,620
	32,712,629	436,799,220	11,431,459	197,495,197

(i) In accordance with CIT Laws, if the subsidiaries in China Mainland remit dividends, which realised after 2008 year, to those subsidiaries overseas, the overseas subsidiaries should pay the certain income tax for their dividends.

(c) The temporary differences and tax loss not recognised as deferred income tax assets are analysed below:

	31 December 2010	31 December 2009
Temporary differences	810,344	810,344
Deductible tax loss(i)	146,162,355	135,497,545
	146,972,699	136,307,889

(i) The deductible tax losses not recognised as deferred tax assets mainly represented the tax losses of the Company and some closed subsidiaries. The management expected that it is not probable that taxable profit will be available in the future against which these deductible tax losses can be utilised, and accordingly, did not recognise the deferred tax assets.

(d) The tax losses for which deferred tax assets are not recognised will expire in the following years:

	31 December 2010	31 December 2009
2010	-	54,947,944
2011	11,699,296	8,277,649
2012	37,940,082	51,772,875
2013	23,009,645	4,034,172
2014	8,933,973	16,464,905
2015	64,579,359	-
	146,162,355	135,497,545

(e) The offsetting amount between deferred income tax assets and deferred income tax liabilities

	31 December 2010	31 December 2009
Deferred income tax assets	3,204,886	1,098,146
Deferred income tax liabilities	3,204,886	1,098,146

Net deferred income tax assets and deferred income tax liabilities after offsetting:

	31 December 2010		31 December 2009	
	Net deferred income tax assets or liabilities	Temporary differences and deductable tax loss	Net deferred income tax assets or liabilities	Temporary differences and deductable tax loss
Deferred income tax assets	79,877,237	388,804,118	87,465,374	423,550,254
Deferred income tax liabilities	29,507,743	423,049,589	10,333,313	192,686,209

(16) **Other non-current assets**

Other non-current assets are the prepayment of land premium.

(17) **Asset of impairment**

	31 December 2009	Additions	Deductions Reverse	Deductions Written-off	31 December 2010
Provisions for bad debts	9,992,922	2,768,205	(1,645,351)	(1,744,027)	9,371,749
-accounts receivables	5,759,182	1,498,265	(1,564,916)	(571,300)	5,121,231
-other receivables	4,233,740	1,269,940	(80,435)	(1,172,727)	4,250,518
Provisions for impairment of inventories	21,763,728	1,568,168	(1,276,584)	(20,422,503)	1,632,809
Provisions for impairment of long-term investment	444,997	-	-	-	444,997
Provisions for impairment of fixed assets	153,735,607	85,071,300	-	(10,887,607)	227,919,300
Provisions for constructions in progress	2,022,902	-	-	-	2,022,902
	187,960,156	89,407,673	(2,921,935)	(33,054,137)	241,391,757

(18) **Short-term borrowings**

(a) Categorization of short-term borrowings

	31 December 2010	31 December 2009
Guaranteed	197,753,478	168,087,120
Unsecured	679,379,337	713,065,567
Short-term finance bonds	-	1,600,000,000
	877,132,815	2,481,152,687

As at 31 December 2010, loans of certain subsidiaries of the Company amounting to RMB197,753,478 (2009: RMB168,087,120) were guaranteed by the Company, of which, the minority shareholders provided a back to back guarantee to the Company amounting to RMB13,112,410 (2009: RMB16,450,420).

As at 31 December 2010, the weighted average interest rate of short-term borrowings was 2.47% per annum (31 December 2009: 3.01%).

(b) The following balances were dominated in foreign currency.

	31 December 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	190,000,000	0.8509	161,676,700	220,234,997	0.8805	193,916,915
USD	97,755,344	6.6227	647,404,316	94,495,734	6.8282	645,235,772
EURO	153,500	8.8065	1,351,798	-	-	-
			810,432,814			839,152,687

(19) **Notes payable**

	31 December 2010	31 December 2009
Trade acceptance notes	6,997,365	37,519,109
Bank acceptance notes	230,894,116	260,601,701
	237,891,481	298,120,810

All notes payable are due within one year.

(20) **Accounts payable**

	31 December 2010	31 December 2009
Account payable for materials	459,037,907	383,741,733
Account payable for equipments	279,339,619	377,960,454
Account payable for constructions	157,282,139	180,875,283
Account payable for freight	28,642,006	37,622,903
Others	26,008,582	8,510,480
	950,310,253	988,710,853

(a) The Group did not have any balances which were due to parties having 5% or above shareholdings in the Company.

(b) Accounts payable due to related parties.

	31 December 2010	31 December 2009
Golden Glass	3,334,469	3,497,609

(c) As at 31 December 2010, accounts payable over 1 year is approximately RMB181,368,593 (2009:RMB121,683,339), which mainly comprised of payables for construction works. The Group has paid RMB60,598,483subsequently up to date of issuance of these financial statements.

(d) The following balances were dominated in foreign currency

	31 December 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	618,730	0.8509	526,477	382,996	0.8805	337,228
USD	6,184,037	6.6227	40,955,022	3,706,434	6.8282	25,308,275
EUR	2,589,239	8.8065	22,802,131	2,494,012	9.7971	24,434,082
JPY	60,221,501	0.0813	4,896,008	90,030,501	0.0738	6,644,251
AUD	350,429	6.7139	2,352,745	-	-	-
			71,532,383			56,723,836

(21) **Advances from customers**

	31 December 2010	31 December 2009
Advances from customers	161,127,001	152,085,476

The Group did not have any balances which were due to parties having 5% or above voting rights in the Company.

The Group did not have any balances which were due to related parties.

The balances were substantively dominated in RMB and with the aging within 1 year.

(22) **Employee benefits payable**

		31 December 2009	Additions	Decrease	31 December 2010
Wages and salaries, bonuses, allowances and subsidies		64,432,126	494,965,027	(474,265,163)	85,131,990
Social security contributions		536,700	54,720,768	(54,957,704)	299,764
Included:	Pension	275,270	43,727,953	(43,922,210)	81,013
	Medical	112,706	7,421,743	(7,448,892)	85,557
	Unemployment	83,923	2,121,439	(2,132,793)	72,569
	Injury	34,763	930,359	(932,050)	33,072
	Maternity	30,038	519,274	(521,759)	27,553
Housing funds		95,658	9,719,850	(9,287,334)	528,174
Labor union and employee education funds		6,375,630	9,690,707	(7,576,820)	8,489,517
Management bonus (Note (a))		47,370,000	137,070,000	(91,892,118)	92,547,882
		118,810,114	706,166,352	(637,979,139)	186,997,327

(a) Pursuant to the resolution in the 15th meeting of the third session board of directors of the Company on 28 January 2005, the board of directors adopted a management bonus scheme which is based on the annual return on net assets and the net profit for the year. During the year, a management bonus amounting to RMB137,070,000 (2009: RMB63,100,000) were accrued and charged to profit and loss.

As at December 31 2010, there was no overdue payroll and welfare expense. The balances will be settled in 2011.

In 2010, the staff costs recognised relating to share based payment amounted to RMB57,410,877 (2009: RMB79,620,207) (Note 8).

(23) **Taxes payable**

	31 December 2010	31 December 2009
(Credited)/Value-added-tax payable	(490,279)	20,798,392
Corporate income tax payable	106,418,318	44,159,103
Business tax payable	257,657	174,866
Others	15,046,692	6,902,667
	121,232,388	72,035,028

(24) **Interest payable**

	31 December 2010	31 December 2009
Interest payable for long-term borrowings	1,637,717	1,226,266
Interest for corporate bonds (Note5(30))	21,205,379	
Interest payable for short-term borrowings	1,746,414	13,654,085
	24,589,510	14,880,351

(25) **Dividends payable**

As at December 31 2010, the balance of the dividends payable represented those declared before the reform of shareholder structure of the Company but not yet able to pay to then shareholders.

(26) **Other payables**

	31 December 2010	31 December 2009
Repurchase of shares	2,762,840	12,674,600
Guarantee deposits received from fixed assets vendors	83,051,187	44,842,612
Temporary receipts	20,512,763	17,242,924
Accrued operating expenses(i)	25,442,916	17,219,821
Contracted labor costs	1,271,174	1,863,030
Others	28,345,362	24,023,784
	161,386,242	117,866,771

(i) Accrued operating expenses include expenses that has incurred but not received invoices, including utilities expenses, profession service charges, travelling expenses, etc.

The Groups did not have any balances which were due to parties holding 5% or above voting rights of the Company.

The Groups did not have any balances which were due to related parties

Most of the other payables are due within 1 year. The balances are substantively dominated in RMB.

(27) **Non-current liabilities due within 1 year**

	31 December 2010	31 December 2009
Long-term borrowing due within 1year		
- pledged(i)	3,801,425	5,080,612
- guaranteed(ii)	71,889,116	58,613,450
	75,690,541	63,694,062

(i) Certain fixed assets with the net book value of RMB7,429,551 (2009: RMB8,632,415) (cost: RMB9,045,679, 2009: RMB10,084,311)) were pledged (Note5 (11)). The interest is payable every month and the principals will be repaid by monthly installments in 2011.

(ii) The loans are guaranteed by the Company in favor of the subsidiaries, of which RMB3,125,000 (2009: 12,662,500) were back to back guaranteed by the minority shareholders of the subsidiaries of the Company.

(a) The biggest 5 long-term borrowings due within 1 year:

					31 December 2010		31 December 2009	
	Beginning Date	Maturity date	Currency	Interest rate (%)	Foreign amount	RMB	Currency amount	RMB
Bank A	2009-10-13	2011-10-12	USD	1M LIBOR+80BPS	5,975,000	39,570,633	-	-
Bank A	2010-07-14	2011-09-04	USD	3M LIBOR+250BPS	2,000,000	13,245,400	-	-
Bank B	2009-08-24	2011-08-03	RMB	Bench Mark cut by 10%	-	12,500,000	-	-
Bank A	2009-07-14	2011-07-14	USD	1M LIBOR+150BPS	992,508	6,573,083	-	-
Bank C	2006-11-27	2011-07-27	HKD	1M HIBOR+75BPS	4,467,377	3,801,425	-	-
						75,690,541		-

(b) The following balances of long-term borrowings due within 1 year are dominated in foreign currency:

	31 December 2010			31 December 2009		
	Original Currency	Exchange rate	RMB Equivalent	Original Currency	Exchange rate	RMB Equivalent
HKD	4,467,377	0.8509	3,801,425	5,770,144	0.8805	5,080,612
USD	8,967,508	6.6227	59,389,116	2,250,000	6.8282	15,363,450
			63,190,541			20,444,062

(28) **Other current liabilities**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Restructuring	869,104	-	(869,104)	-
Warranty	5,141,428	3,400,000	(5,914,556)	2,626,872
Others	300,000	-	-	300,000
	6,310,532	3,400,000	(6,783,660)	2,926,872

(29) **Long-term borrowings**

	31 December 2010	31 December 2009
Unsecured	463,778,672	406,057,277
Guarantee (i)	264,424,940	498,325,538
Pledge	-	3,927,069
	728,203,612	908,309,884

(i) As at 31 December 2010, loans of certain subsidiaries of the Company were guaranteed by the Company, of which, the minority shareholders provided a back to back guarantee to the Company amounting to RMB30,392,664 (2009: RMB20,135,700). The interest should be paid monthly or quarterly. The principals will be repaid between January 2012 and September 2014

(a) The biggest 5 long-term borrowings:

					31 December 2010		31 December 2009	
	借款起始日	借款终止日	币种	利率(%)	Foreign amount	RMB	Foreign amount	RMB
Bank D	2010-03-25	2012-03-12	USD	1M LIBOR+155BPS	10,000,000	66,227,000	-	-
Bank E	2008-05-22	2014-05-09	RMB	Benchmark interest rate	-	50,000,000	-	50,000,000
Bank E	2008-05-23	2014-05-09	RMB	Benchmark interest rate	-	50,000,000	-	50,000,000
Bank E	2010-03-01	2014-05-09	RMB	Benchmark interest rate cut by 10%	-	50,000,000	-	-
Bank E	2008-09-22	2014-09-22	RMB	Benchmark interest rate cut by 10%	-	30,000,000	-	30,000,000
						246,227,000		130,000,000

(b) The maturity of long-term borrowings is :

	31 December 2010	31 December 2009
Between 1 to 2 years	195,585,990	233,502,607
Between 2 to 5 years	532,617,622	674,807,277
	728,203,612	908,309,884

(c) The following balances were dominated in foreign currency.

	31 December 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
HKD	-	-	-	4,460,044	0.8805	3,927,069
USD	22,400,020	6.6227	148,348,612	14,667,528	6.8282	100,152,815
			148,348,612			104,079,884

The weighted average interest rate of long-term borrowings was 4.68% per annum as at 31 December 2010 (2009: 5.24%).

(30) Bonds Payable

	31 December 2009	Addition	Deduction	31 December 2010
Corporate Bonds	-	1,978,479,422	-	1,978,479,422

Related information on bonds are as below:

	Par value	Issuing date	Bond maturity	Issuing amount
Corporate Bonds	1,000,000,000	20 October, 2010	5 Years	989,100,000
Corporate Bonds	1,000,000,000	20 October, 2010	7 Years	989,100,000

Accrued interest of bonds this year analysed below:

	31 December 2009	Accrued interest	Paid interest	31 December 2010
Corporate bonds (Note5(24))	-	21,205,379	-	21,205,379

According to the China Securities Regulatory Commission license [2010] No 1369 published by the China Securities Regulatory Commission, the Company issued the corporate bonds on 20 October 2010, with a par value of 2 billion. The Corporate Bonds include 1 billion that will mature in 5 years and another 1 billion that will mature in 7 years (“7 year Bonds”). The 7 year Bonds holders have a put option over the Company to repurchase at the end of the fifth year. The Corporate Bonds carried at fixed interest rate of 5.33% per year, the interests are paid annually, and the effective interest rate is 5.59%.

(31) Other non-current liabilities

	31 December 2010	31 December 2009
Deferred income (a)	83,537,976	68,004,475
Government interest-free loans (b)	90,000,000	-
	173,537,976	68,004,475

(a) Deferred income related to governmental grants

	31 December 2010	31 December 2009
- Yichang Silicon products project(i)	41,484,376	44,296,875
- Chengdu Float Cogeneration project(ii)	22,053,600	23,707,600
- Shenzhen Float TCO Glass project (iii)	20,000,000	-
	83,537,976	68,004,475

(i) As at 31 December 2010, the balance represented amounts paid to Yi Chang CSG Silicon Materials Co., Ltd. (“Yichang Silicon”) by Yichang City Dongshan Development Corporation under the provisions of the investment contract signed between the Group and the Municipal Government of Yi Chang. The proceeds were designed for the construction of electricity transformer and the pipelines. Yichang Silicon is entitled to the ownership of the facilities.

(ii) It represented the assistance granted by Chengdu local government for energy glass project. It will be amortised and credited to income statement in 15 years, in accordance with the minimum operating period commited.

(iii) It represented the special funds granted by Shenzhen City Development and Reform Commission for new energy development. It should be invested in constructing

"TCO" glass production base, TCO glass laboratory and experimental analysis centre. Shenzhen CSG Float Glass Co., Ltd is entitled to the ownership of the facilities. They will be amortised and credited to income statement in 15 years, in accordance with the useful life of related fixed assets.

(b) It represented loan from Yichang local financial department borrowed by Yichang CSG. It should be used for the infrastructure construction. The loan is interest free and repayable on 20 December, 2013.

(32) Share capital

	31 December 2009	Movement: New issues during the year	Movement: Bonus issue	Movement: Capitalisation	Movement: Others	Movement: Subtotal	31 December 2010
Shares with restriction on disposals							
- State shares	-	-	-	-	-	-	-
- PRC legal person shares	80,000,000	-	-	56,000,000	(136,000,000)	(80,000,000)	-
- Others	128,275,000	-	-	89,062,750	(177,686,237)	(88,623,487)	39,651,513
Included: domestic no-state shares	92,500,000	-	-	64,750,000	(157,250,000)	(92,500,000)	-
Domestic person shares	35,775,000	-	-	24,312,750	(20,436,237)	3,876,513	39,651,513
	208,275,000	-	-	145,062,750	(313,686,237)	(168,623,487)	39,651,513
Shares without restriction on disposals							
- PRC public shares	566,884,305	-	-	396,819,013	310,782,237	707,601,250	1,274,485,555
- Domestically listed foreign shares	448,578,819	-	-	314,005,173	-	314,005,173	762,583,992
	1,015,463,124	-	-	710,824,186	310,782,237	1,021,606,423	2,037,069,547
	1,223,738,124	-	-	855,886,936	(2,904,000)	852,982,936	2,076,721,060

	31 December 2008	Movement: New issues during the year	Movement: Bonus issue	Movement: Capitalisation	Movement: Others	Subtotal	31 December 2009
Shares with restriction on disposals							
- State shares	-			-			-
- PRC legal person shares	90,837,560	-	-	-	(10,837,560)	(10,837,560)	80,000,000
- Others	157,905,446	-	-	-	(29,630,446)	(29,630,446)	128,275,000
Included: domestic no-state shares	108,662,277	-	-	-	(16,162,277)	(16,162,277)	92,500,000
Domestic person shares	49,243,169	-	-	-	(13,468,169)	(13,468,169)	35,775,000
	248,743,006	-	-	-	(40,468,006)	(40,468,006)	208,275,000
Shares without restriction on disposals							
- PRC public shares	539,781,299	-	-	-	27,103,006	27,103,006	566,884,305
- Domestically listed foreign shares	448,578,819	-	-	-	-	-	448,578,819
	988,360,118	-	-	-	27,103,006	27,103,006	1,015,463,124
	1,237,103,124	-	-	-	(13,365,000)	(13,365,000)	1,223,738,124

The nominal value of the Domestic is RMB1, and that of domestically listed foreign shares is HKD 1.

(33) Capital reserve

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Capital premium	1,777,902,326	102,091,074	(855,886,936)	1,024,106,464
Other reserve	349,711,541	48,755,918	(112,739,711)	285,727,748
Change in fair value of available-for-sale financial assets	6,184,231	-	(6,184,231)	-
Share based payment (Note 8)	380,487,961	48,755,918	(142,728,409)	286,515,470
Acquisition of minority interest	(36,172,929)	-	36,172,929	-
Finance incentives for energy and technical transformation	1,462,500	-	-	1,462,500
Transfer from the balance of capital surplus recognised under previous accounting system	(2,250,222)	-	-	(2,250,222)
	2,127,613,867	150,846,992	(968,626,647)	1,309,834,212

	31 December 2008	Current year additions	Current year reductions	31 December 2009
Capital premium	1,777,902,326	-	-	1,777,902,326
Other reserve	289,859,570	86,888,660	(27,036,689)	349,711,541
Change in fair value of available-for-sale financial assets	8,859,189	10,071,081	(12,746,039)	6,184,231
Share based payment (Note 8)	318,668,911	76,109,700	(14,290,650)	380,487,961
Acquisition of minority interest	(35,418,308)	(754,621)	-	(36,172,929)
Finance incentives for energy and technical transformation	(2,250,222)	1,462,500	-	1,462,500
Transfer from the balance of capital surplus recognised under previous accounting system		-	-	(2,250,222)
	2,067,761,896	86,888,660	(27,036,689)	2,127,613,867

(34) Special Reserve

	31 December 2009	Addition	Deduction	31 December 2010
Safety production cost	-	5,683,705	-	5,683,705

Yichang CSG is a high risk chemical production enterprise and appropriate such reserve in accordance with relevant regulations.

(35) Surplus reserve

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Statutory surplus reserve	309,202,034	69,475,546	-	378,677,580
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	437,054,602	69,475,546	-	506,530,148

	31 December 2008	Current year additions	Current year reductions	31 December 2009
Statutory surplus reserve	263,187,790	46,014,244	-	309,202,034
Discretionary surplus reserve	127,852,568	-	-	127,852,568
	391,040,358	46,014,244	-	437,054,602

According to the Articles of Association of the Company and the Company Law of PRC, the Company has to appropriate 10% of its net profit after making good of the deficit of prior years to the statutory surplus reserve, until where the reserve balance has reached 50% of the paid in share capital of the Company. With the approval obtained from the relevant government authorities, the statutory surplus reserve can be utilized to offset any deficit or to increase the share capital of the Company, provided that the remaining balance of the reserve, after such utilizations, does not fall below 25% of the issued share capital balance. During the year 2010, the Company appropriate RMB 69,475,546 to the statutory surplus reserve out of its net profits (2009: RMB46,014,244 at 10%).

The appropriation to discretion surplus reserve shall be proposed by the board of the directors of the Company and approved by the annual general meeting of the shareholders. The discretion can be utilized to offset the deficit or increase the share capital. The Company did not appropriate to discretion surplus reserve during the year (2009:none).

(36) Undistributed profit

	2010		2009	
	Amount	Appropriation rate	Amount	Appropriation rate
Undistributed profit at the beginning	1,526,908,861		863,352,524	
Add: net profits belonging to equity holders of the Company	1,455,209,218		831,944,393	
Less: Appropriation of statutory surplus reserve	(69,475,546)	10%	(46,014,244)	10%
Dividends payable	(427,943,468)	51%	(122,373,812)	29%
Undistributed profits in the end	2,484,699,065		1,526,908,861	

Undistributed profit of the Group included the surplus reserve of the subsidiaries attributable to the Group amounting to RMB545,112,810 (2009: RMB403,980,240), which included current year's surplus reserve attributable to the Group amounting to RMB144,508,619 (2009: RMB99,265,123).

Pursuant to the resolution of board of directors of the Company on 20 April 2010, the directors recommended a dividend of RMB 3.50 for each 10 shares outstanding as at 31 December 2010, totaling RMB427,743,468 and a bonus issue of 7 shares for each 10 years by capitalisation of capital surplus.

Pursuant to the resolution of board of directors of the Company on 18 March, 2010, the directors recommended a dividend of RMB3.50 for each 10 shares outstanding as at 31 December 2010, totaling RMB726,650,071, from the profits of RMB1,569,494,339 that comprised of the profits of the Company as at 31 December 2010 and the dividend income commited by the subsidiary of the Company. The total outstanding shares eligible for dividend as at 31 December 2010 was 2,076,143,063, being total outstanding shares as at 31 December 2010, deducting shares of 578,000 committed to be repurchase in 2011.The above proposed dividend is to be approved by the annual general meeting of the shareholders and was not recognised as a liability as at 31 December 2010.

(37) Minority interests

Minority interests are analysed as follows:

	31 December 2010	31 December 2009
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	55,180,771	51,112,784
Shenzhen CSG Display Technology Co., Ltd.	70,510,117	42,120,320
Chengdu CSG Glass Co., Ltd.	195,754,131	161,673,353
Yichang CSG Silicon Co., Ltd.	48,089,961	36,762,886
Heyuan CSG Mining Co., Ltd.	2,316,244	3,880,528
Yingde Hongsheng Silica Sand Mine. Co., Ltd	2,495,916	-
	374,347,140	295,549,871

(38) Revenue and cost of sales

	2010	2009
Revenue from main operations	7,697,973,640	5,246,808,661
Revenue from other operations	45,968,054	32,291,472
	7,743,941,694	5,279,100,133

	2010	2009
Cost of sales from main operations	4,912,119,177	3,412,193,682
Cost of sales from other operations	31,520,816	23,381,005
	4,943,639,993	3,435,574,687

(a) Revenue and cost of main operations.

Revenue and cost of main operations analysed by product are set out below:

	2010		2009	
	Revenue	Cost	Revenue	Cost
Floating glass	3,182,872,140	2,094,932,885	2,552,840,727	1,731,675,167
Engineering glass	2,262,990,760	1,583,016,490	1,909,928,671	1,269,634,573
ITO glass	643,461,035	430,321,940	449,322,939	319,329,132
Solar panel and parts	2,260,400,062	1,442,651,098	689,049,544	445,888,030
Elimination	(651,750,357)	(638,803,236)	(354,333,220)	(354,333,220)
	7,697,973,640	4,912,119,177	5,246,808,661	3,412,193,682

Revenue and cost of main operations analysed by geographical location are set out below:

	2010		2009	
	Revenue	Cost	Revenue	Cost
Mainland	6,062,661,879	3,715,998,331	4,526,138,142	2,932,016,971
Hong Kong	380,597,312	249,404,145	300,534,419	198,224,548
Europe	668,544,264	549,729,854	15,758,051	14,112,103
North America	70,357,290	46,358,578	6,165,418	5,282,820
Australia	92,557,326	64,242,796	54,413,051	28,507,658
Asia (other than Mainland and Hong Kong)	236,346,902	133,182,818	193,601,643	121,968,062
Other regions	186,908,667	153,202,655	150,197,937	112,081,520
	7,697,973,640	4,912,119,177	5,246,808,661	3,412,193,682

(b) Other revenue and cost

	2010		2009	
	Revenue	Cost	Revenue	Cost
Sale of raw materials	26,954,514	22,393,943	19,353,706	18,282,654
Others	19,013,540	9,126,873	12,937,766	5,098,351
	45,968,054	31,520,816	32,291,472	23,381,005

The Group had been gradually exiting real estate industry since 2004. The Group's current strategy and operating plans did not involve any real estate related business. The properties held for sales were all disposed this year. In order to reflect more accurately the Group's main business, the income from disposal of properties held for sale were reclassified as other revenue and the comparative figures were also restated.

(c) The biggest 5 customers are analysed as follows:

The sales to the Group's top five customers were amounted to RMB 997,846,671 (2009: RMB809,242,665), account for 12.89% of the Group's total sales (2009: 15.33%).

	Revenue	% of the total revenue of the group
The largest	321,676,185	4.15%
The second largest	296,621,179	3.83%
The third largest	151,881,847	1.96%
The fourth largest	114,519,956	1.48%
The fifth largest	113,147,504	1.47%
	997,846,671	12.89%

(39) Tax and surcharges

	2010	2009
Business tax	482,164	833,706
City maintenance and construction tax	2,007,576	692,915
Educational surcharge	1,509,249	663,320
Resources duty	1,095,367	1,357,840
Others	1,531,342	1,583,653
	6,625,698	5,131,434

(40) Selling Expenses

	2010	2009
Freight expenses	131,284,766	134,814,760
Employee benefit expenses	63,833,611	48,843,105
Entertainment expenses	11,227,257	8,553,300
Travelling expenses	10,564,624	10,005,660
Others	48,726,163	39,994,835
	265,636,421	242,211,660

(41) Administrative expenses

	2010	2009
Employee benefit expenses	298,527,356	217,201,979
Research and development expenses	64,523,313	54,075,217
Taxation Expenses	31,300,596	25,220,655
Depreciation expenses	24,374,085	26,362,996
Office expenses	18,366,010	12,836,232
Amortisation of intangible assets	17,938,128	12,673,363
Repair and maintenance cost	11,406,191	1,626,971
Board expenses	11,223,124	7,250,531
Others	78,657,811	62,716,413
	556,316,614	419,964,357

(42) Finance expenses

	2010	2009
Interest expenses	121,175,352	121,659,811
Less:Interest income	(5,337,964)	(31,411,247)
Foreign exchange (gain)/loss	(18,281,154)	1,433,757
Others	8,672,278	13,864,050
	106,228,512	105,546,371

(43) Investment income

	2010	2009
Gain from long-term investment under cost method (Note5(9))	277,200	1,542,401
Gain from long-term investment under equity method (Note5 (9))	4,410,185	-
Gain from disposal of available-for-sale financial assets	9,055,042	17,538,302
Gain from disposal of equity interests(i)	40,359,075	-
	54,101,502	19,080,703

There is no significant restriction on the remittance of investment income to the Group.

(i) Included in this item was gain from deemed disposal of equity interest in Golden Glass, an associate of the Group. Golden Glass was listed on Shenzhen Stock Exchange in July 2010. The Group's equity interest in Golden Glass was diluted from 11.11% to 8.33%.

(44) Impairment losses

	2010	2009
Provision for bad debts	1,122,854	1,652,609
Provision for inventories	291,584	2,189,395
Impairment losses for fixed assets	85,071,300	11,096,360
Impairment losses for constructions in progress	-	2,022,902
	86,485,738	16,961,266

(45) Non-operating income

	2010	2009	Amount of non-recurring gain and loss included in 2010
Gain on disposal of fixed assets	13,293,712	2,738,725	13,293,712
Government grants (Note (a))	33,675,322	23,865,251	33,675,322
Compensation income	333,343	624,902	333,343
Others	12,175,640	4,685,482	12,175,640
	59,478,017	31,914,360	59,478,017

(a) Government grants is analysed below:

	2010	2009
Subsidies for scientific research	11,340,280	8,943,273
Governmen subsidies for electricity expenses	9,450,000	4,630,000
Interest subsidies for technical transformation	3,446,332	-
VAT refunds	2,433,826	3,680,162
Subsidies for environment protection	1,216,422	-
Subsidies for social security fund	-	1,524,000
Others	5,788,462	5,087,816
	33,675,322	23,865,251

(46) Non-operating expenses

	2010	2009	Amount of non-recurring gain and loss included in 2010
Loss on disposal of fixed assets	24,459,129	110,503,681	24,459,129
Loss on compensations	810,680	3,223,125	810,680
Donation	1,328,001	39,000	1,328,001
Others	643,726	1,874,834	643,726
	27,241,536	115,640,640	27,241,536

(47) Income tax expenses

	2010	2009
Current income tax	241,625,786	95,461,339
Deferred income tax	26,762,567	(21,006,049)
	268,388,353	74,455,290

The reconciliation from income tax calculated based on applicable tax rate and total profit presented in the consolidated financial statements to the income tax expenses is as follows:

	2010	2009
Total profit	1,865,346,701	989,064,781
Income tax calculated at applicable tax rates	276,794,634	101,157,451
Effect of change in tax rates	(2,715,079)	(16,411,693)
Expenses not deductable for tax purpose	1,085,593	7,067,075
Utilization of previously unrecognised tax losses	(485,824)	(5,943,195)
Tax loss for which no deferred income tax asset was recognised	10,230,296	263,962
Utilization of previously unrecognised deferred tax assets	-	(60,893)
Tax refund for purchase of domestic manufactured equipment	(16,521,267)	(11,617,417)
Income tax expenses	268,388,353	74,455,290

(48) Earnings per share

(a) Earnings per share - basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Consolidated profit attributable to equity holders of the Company	1,455,209,218	831,944,393
Weighted average number of ordinary shares in issue	2,077,247,268	2,080,185,873
Basic earnings per share	0.70	0.40

Including:

-Earnings per share for continuing operations	0.69	0.40
-Earnings per share for discontinued operations	0.01	-

(b) Earnings per share - diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company, which is adjusted according to potential dilutive shares, by the adjusted weighted average number of ordinary shares in issue during the year. The Company had no potential dilutive outstanding equity instruments issued as at 31 December 2010(2009: Nil), accordingly the diluted earnings per share equals basic earnings per share.

(49) Other comprehensive income

	2010	2009
Gain from available for sale financial assets	-	10,071,081
Less: effect of income tax resulted from available for sale financial assets	-	-
Transferred from previously recognised as other comprehensive income	(6,184,231)	(12,746,039)
Subtotal	(6,184,231)	(2,674,958)
Difference on translation of foreign currency financial statements	280,812	3,399,070
Government grant recorded directly in capital surplus according to relevant regulation(Note5(30))	-	1,950,000
	(5,903,419)	2,674,112

(50) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2010	2009
Interest income	5,337,964	2,753,981
Government grant	28,268,684	21,005,421
Return the pledged deposit and guarantee money received previously	31,637,439	28,349,359
Others	11,737,893	6,855,759
	76,981,980	58,964,520

(b) Cash paid relating to other operating activities

	2010	2009
Delivery costs	188,211,089	135,984,187
Canteen cost	29,663,892	15,885,763
Bank fees	15,149,073	13,864,050
Travelling expenses	26,736,749	12,835,183
Office expenses	13,593,646	7,033,770
Others	69,849,213	6,232,260
	343,203,662	191,835,213

(c) Cash received relating to other investing activities

	2010	2009
Value-added tax returned relating to purchasing of domestic manufactured equipments	-	83,425,138
Interest income from pledged deposit	-	28,657,266
Trial production revenue from constructions in progress	-	21,255,491
Receipt of pledged deposits	70,147,799	8,788,560
Government grants received relating to assets	-	26,760,000
Others	9,223,076	3,500,000
	79,370,875	172,386,455

(d) Cash received relating to other financing activities

	2010	2009
Interest-free loan from government	90,000,000	-
Return of deposits for borrowings	-	615,100,000
	90,000,000	615,100,000

(e) Cash paid relating to other financing activities

	2010	2009
Repurchase of restricted shares	17,738,370	114,671,700
Payment of deposits for borrowings	109,330,390	-
	127,068,760	114,671,700

(51) Supplement notes of cash flow statement

(a) Reconciliation from the net profit to the cash flows from operating activities

	2010	2009
Net profit	1,596,958,348	914,609,491
Add: Provisions for assets impairment	86,485,738	16,961,266
Depreciation of fixed assets	545,498,229	436,054,006
Amortisation of intangible assets	17,938,128	12,673,363
Employee service cost relating to share based payment	57,410,877	79,620,207
Losses on disposal of fixed assets and intangible assets	11,165,417	107,764,956
Finance expenses	88,154,170	94,436,302
Investment income	(54,101,502)	(19,080,703)
(Decrease)/increase in deferred tax assets	7,588,137	(26,023,337)
Increase in deferred tax liability	19,174,430	5,017,288
Increase in inventories	(107,731,132)	(47,784,267)
Increase in operating receivables	(112,082,827)	(105,668,772)
Increase in operating payables	209,855,901	201,657,626
Net cash flows from operating activities	2,366,313,914	1,670,237,426

Net (decrease)/increase in cash and cash equivalents

	2010	2009
Cash at end of year	660,213,739	635,618,163
Less: cash at beginning of year	(635,618,163)	(394,923,631)
Net increase in cash and cash equivalents	24,595,576	240,694,532

(b) Disposal of subsidiary, net of cash received

	2010	2009
Consideration	46,312,721	-
Cash and cash equivalents received from disposal of subsidiary	39,737,887	-
Less: cash and cash equivalents held by subsidiary	(9,128,015)	-
Net cash received from disposal of subsidiary	30,609,872	-

(c) Cash and cash equivalents

	31 December 2010	31 December 2009
Cash		
-Cash on hand	59,431	31,301
-Cash at bank without restriction	619,525,546	634,078,015
-Others without restriction	40,628,762	1,508,847
Cash and cash equivalents at end of year	660,213,739	635,618,163

6 Segment information

The Group's reportable segments are business units engaged in providing different products. As each business unit has different technology and marketing strategies, the management evaluated the performance of each reportable segment independently to determine the allocation of the Group's resources.

There are four reportable segments in the Group, which are:

- Flat Glass Segment, engaged in the production and sales of float glass.
- Architectural Glass Segment, engaged in the production and sales of architectural glass.
- Fine Glass Segment, engaged in the production and sales of fine glass and ceramic products.
- Solar Energy Segment, engaged in the production and sales of polycrystalline silicon chip, solar glass and solar module.

The Group has re-classified the solar glass business from Flat Glass Segment to Solar Energy Segment to evaluate performance and allocate resources. The comparative financial information of 2009 was also restated.

The Inter-segment transfer prices is determined by reference to the market price.

The assets are allocated according to the segment's business and its location; the liabilities are allocated according to the segment's business; the indirect costs are allocated to each segment according to the proportion of income.

(a) Segment information as at and for the year ended 31 December 2010 is as follows:

	Floating glass	Architectural glass	Fine glass	Solar energy	Others	Undistributed profits	Elimination	Total
Revenue from external customers	2,592,537,458	2,279,256,200	644,336,067	2,220,226,093	7,507,876	78,000	-	7,743,941,694
Inter-segment revenue	600,241,869	4,292,228	3,312,130	43,904,130	-	-	(651,750,357)	-
Interest Income	687,030	636,245	82,275	1,036,232	32,886	2,863,296	-	5,337,964
Interest expense	46,784,369	7,154,407	12,684,917	40,989,896	-	13,561,763	-	121,175,352
Income from associates and joint companies	-	-	-	-	-	42,501,259	-	42,501,259
Asset impairment losses	268,955	36,960,218	13,307,503	35,931,183	17,879	-	-	86,485,738
Depreciation and amortisation	201,433,136	142,940,330	65,320,781	150,832,454	29,661	2,879,995	-	563,436,357
Total profit	850,637,931	369,709,967	95,813,228	573,461,465	(823,294)	(10,505,475)	(12,947,121)	1,865,346,701
Income tax expenses	145,111,904	46,914,031	10,132,688	51,957,401		14,272,329		268,388,353
Net profit	705,526,027	322,795,936	85,680,540	521,504,064	(823,294)	(24,777,804)	(12,947,121)	1,596,958,348
Segment assets	4,358,841,472	3,124,094,840	1,082,099,299	3,306,333,781	8,137,225	590,112,550		12,469,619,167
Segment liabilities	881,719,952	1,297,922,771	171,563,245	1,132,193,638	7,553,134	2,219,448,078	-	5,710,400,818
Non-cash expenses other than depreciation and amortisation	10,166,212	14,202,974	4,124,350	8,089,885	-	20,827,454		57,410,875
Long-term equity investment in associates	-	-	-	-	65,501,259	-	-	65,501,259
The increase in non-current assets other than Long-term equity investments	583,281,675	393,521,298	37,783,154	853,782,908	-	4,062,872		1,872,431,907

(b) Segment information as at and for the year ended 31 December 2009 is as follows:

	Floating glass	Architectural glass	Fine glass	Solar energy	Others	Undistributed profits	Elimination	Total
Revenue from external customers	2,208,081,447	1,928,643,811	448,295,832	688,239,076	5,761,967	78,000	-	5,279,100,133
Inter-segment revenue	349,061,248	2,605,191	1,041,250	810,468	7,570,000	-	(361,088,157)	-
Interest Income	650,638	834,636	95,844	329,649	23,144	29,477,336	-	31,411,247
Interest expense	64,248,135	8,504,185	16,159,152	19,263,300	-	13,485,039	-	121,659,811
Income from associates and joint companies	-	-	-	-	-	-	-	-
Asset impairment losses	(593,271)	7,980,934	5,729,253	2,678,993	1,165,357	-	-	16,961,266
Depreciation and amortisation	187,732,736	131,849,467	65,620,806	60,700,544	37,409	2,786,407	-	448,727,369
Total profit	483,839,111	401,800,755	41,541,667	94,221,670	5,451,059	(31,034,544)	(6,754,937)	989,064,781
Income tax expenses	44,343,838	11,295,814	5,706,175	5,649,987	-	7,459,478	-	74,455,292
Net profit	439,495,273	390,504,941	35,835,492	88,571,683	5,451,059	(38,494,022)	(6,754,937)	914,609,489
Segment assets	3,881,603,387	2,916,849,290	1,063,471,493	2,528,918,823	9,951,572	512,555,452	-	10,913,350,017
Segment liabilities	1,001,626,155	1,128,406,403	244,302,057	1,140,838,039	6,575,068	1,780,529,263	-	5,302,276,985
Noncash expenses other than Depreciation and amortisation	13,479,278	19,351,351	7,470,498	11,300,646	-	28,018,434	-	79,620,207
Long-term equity investment in associates	-	-	-	-	-	-	-	-
The increase in non-current assets other than Long-term equity investments	522,491,709	214,283,750	32,062,670	485,779,364	-	6,503,105		1,261,120,598

Revenue from external customers derived from both mainland and other countries or areas and the total of non-current assets other than financial instruments and deferred tax assets are analysed below:

Revenue from external customers	2010	2009
Mainland	6,108,629,933	4,558,429,614
Hong Kong	380,597,312	300,534,419
Europe	668,544,264	15,758,051
North America	70,357,290	6,165,418
Australia	92,557,326	54,413,051
Aisa(other than Mainland and Hong Kong)	236,346,902	193,601,643
Other regions	186,908,667	150,197,937
	7,743,941,694	5,279,100,133

Non-current assets	31 December 2010	31 December 2009
Mainland	10,304,864,187	9,108,839,550
Hong Kong	14,065,363	15,319,559
Australia	400,546	452,483
	10,319,330,096	9,124,611,592

The Group has a large number of customers, no revenue from a customer exceed 10% or more of the Group's revenue.

7 Related parties and related party transactions

(1) The parent company and subsidiaries

The Company regard no entity is the parent company.

(2) Related party transactions

The condition and information of related party is analysed in Note 4.

(3) The situation of Joint venture

	Type of Company	Place of registration	Legal Representative	Nature of business	Registered capital	Stakes	Vote right	Organization code
Golden Glass	Corporation Limited	China	Zhuang Dajian	High-tech glass and system manufacturing	RMB120 million	8.33%	8.33%	61755189-X

(4) Related party transactions

In addition to the above disclosures, the significant related party transactions during the year are as follows:

(a) Purchase and sale of goods, provision and receipt of services

Purchase of goods, receipt of services:

Related party	Transaction details	The basis for pricing of related party transactions	2010		2009	
			Amount	% of Similar transaction amount	Amount	% of Similar transaction amount
Golden Glass	consigned processing	by reference to market price	24,377,489	0.57%	22,396,233	0.96%

Sale of goods, provision of services:

Related party	Transaction details	The basis for pricing of related party transactions	2010		2009	
			Amount	% of Similar transaction amount	Amount	% of Similar transaction amount
Golden Glass	Sale of goods	By reference to market price	29,796,240	0.38%	18,343,805	0.35%

(b) Key management compensation

	2010	2009
Payroll	8,702,689	6,549,100
Employee service cost relating to share based payment	16,862,760	22,445,312
	25,565,449	28,994,412

(5) The ending balance of account receivable and payable from related parties

Receivables from related parties：

		31 December 2010		31 December 2009	
		Amount	provision for bad debts	Amount	provision for bad debts
Account receivable	Golden Glass	83,153	(1,663)	4,528,089	(90,562)

Payable to related parties：

		31 December 2010	31 December 2009
Account payable	Golden Glass	3,334,469	3,497,609

8 Share-based payment

(1) Restricted A share incentive scheme

(a) Overview

Pursuant to the restricted A share incentive scheme approved by the first special general meeting of the shareholders on 13 June 2008, the Company granted 49,140,000 share of restricted A share of the Company to certain qualified employees of the Group ("the Qualified Employee") at a grant price of RMB8.58 per share on 16 June 2008.

The scheme will open for 60 months after the grant date of the restricted A share ("Grant Date"). The first twelve months following the Grant Date will be lock out period, in which the restricted A shares received by the Qualified Employees will be locked and cannot be transferred. The next 48 months are unlock period, the restricted A share can be transferred if certain vesting conditions are meet, by four batches of 25% each, starting at the end of first twelve months after the Grant Date.

The vesting conditions under the Company's restricted A share incentive scheme performance appraisal policy include: a) the lower of the weighted average returns on net assets and the pre-exceptional item weighed average returns on net assets is 10% higher or same in the preceding year; b) the average annualized growth rate of the net profit of the Group from 2007 is 10% higher or same; and c) the Qualified Employees remains in service and performance is satisfied.

(b) Restricted share stock quantity movement and related owner's equity movement

Items	Restricted A share stock(share)	Equity	Treasure Shares	Capital reserve	Minority equity
1 January 2009	36,187,500	49,140,000	(12,952,500)	318,668,911	2,321,083
Repurchase for resignation of the employees	(1,905,000)	-	(1,905,000)	(14,290,650)	-
Repurchase for non-compliance performance	-	(13,365,000)	13,365,000	-	-
Expense recognised this year	-	-	-	76,109,700	3,510,507
31 December 2009	34,282,500	35,775,000	(1,492,500)	380,487,961	5,831,590
1 January 2010	34,282,500	35,775,000	(1,492,500)	380,487,961	5,831,590
Repurchase of canceled shares	-	(2,904,000)	2,904,000	-	-
Capitalisations of capital surplus	23,997,750	24,312,750	(315,000)	-	-
Repurchase for departure of the employees	(1,674,500)	-	(1,674,500)	(5,855,309)	-
Shares released from restricted trading	(19,035,750)	(19,035,750)	-	(142,728,409)	-
Expense recognised this year	-	-	-	53,632,464	2,799,647
31 December 2010	37,570,000	38,148,000	(578,000)	285,536,707	8,631,237

(c) At the Grant Date, the fair value of the restricted A share is 6.63 per share, being determined on the market price of the Group's A share on the Grant Date after deducting the considerations paid by the employees.

Management estimated that the Group can meet the performance target in the vesting period, and substantially all the employees can complete the required service period.

(2) Transfer of shares to the core staff

In order to motivate the management team and the core technical members of Shenzhen CSG Display Device Technology, Co, Ltd (hereinafter referred to as "Display Device"), via the approval of the fifth Board of Directors, the Company has signed an agreement with Zhong Fusheng Entrepreneurship Investment Limited (hereinafter referred to as "Zhong Fu Sheng Entrepreneurship")on 1 November , 2010, to transfer 9.55% equity interest in Display Device held by the Company to Zhong Fusheng at the consideration of RMB16,300,000.

Zhong Fu Sheng Entrepreneurship is a limited partnership enterprise, which is set up by the directors, key management and core technical members of Display Device on 25 October 2010 to hold the equity interest of Display Device. There are 2 unlimited partners in the limited partnership enterprise, the rest of which are all limited partners. The unlimited partners include one key management of the Company.

Above transaction have been considered as equity-settled share-based payment to the staff, with the fair market value of RMB5,335,404 which was determined by the difference between the fair value of stock equity (evaluated by the professional asset evaluation firms) at the transaction date and the consideration at the date of transaction. The related cost which has been recognised this year was RMB978,763.

9 Contingencies

As at 31 December 2010, the Group has no significant contingency liability.

10 Commitments

(1) Commitments relating to capital expenditure

As at 31 December 2010, commitments relating to capital expenditure that has signed but not recognised in the financial statement are analysed below:

	2010	2009
Property, plant and equipment	1,294,557,376	418,149,652

(2) Investment commitment

According to the agreement between the Group and its subsidiaries, the investment commitments are analysed below:

Company name	The date of the agreement	Total amount	Amounts paid	Amount to be paid
Dongguan CSG Solar Glass Co. Ltd	8 Octorber 2010	200,000,000	-	200,000,000
Tianjin CSG Architectural Glass Co. Ltd	31 June 2010	30,000,000	-	30,000,000
Dongguan CSG PV-tech Co. Ltd	1 November 2010	100,000,000	50,000,000	50,000,000
			50,000,000	280,000,000

As at the 31 December, 2010, the investments have not been paid.

(3) Fulfillment of previous commitment

The commitment relating to capital expenditures at 31 December 2009 has been fulfilled.

11 Discontinued operations

On 30 November 2010, the Company transfer its 100% shares of Hainan Wenchang CSG Silica Sand Mine Co. to Hainan CNAC Special Material Co., Ltd..

On 31 December 2010, the Company entered into an irrevocable agreement to transfer all the Company's shares of Dongguan CSG Ceramics Technology Co. Ltd to a third party. The transaction is expected to be completed in 2011.

	2010	2009
Income from discontinued operations	99,850,364	110,439,450
Less: Cost and expenses from discontinued operations	(83,600,771)	(102,383,497)
Total profit from discontinued operations	16,249,593	8,055,953
Less: Income tax expense from discontinued operations	(3,475,046)	(2,560,188)
Net profit from discontinued operations	12,774,547	5,495,765
Of which: Attributable to equity holders of the Company	12,774,547	5,495,765

12 Events after balance sheet date

Distribution of profits after the Balance Sheet date

	Amount
Proposed dividend	726,650,071

Persuant to the resolution of board of directors of of the Company on 18 March 20101, the directors proposed payment of cash dividends of RMB726,650,071. It was not recognised as liabilities in the Financial Statement (Note 5(36)).

Other events after balance sheet date:

As on 28 January 2011, the Company cancelled 578,000 unvested restricted shares due to departure of 7 employees,. Therefore the Company's registered capital was reduced from 2,076,721,060 to 2,076,143,060 since 28 January 2011, and treasury shares number was reduced from 578,000 to 0.

Pursuant to the resolution of Board of directors on 18 January 2011, the Company plan to issue not more than 250,000,000 A shares to raise fund of not more than 4,000,000,000 by way of private placement. The issue of new shares is subject to the approval by the shareholders meeting.

13 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (mainly comprise of currency risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Currency risk

The Group mainly operates in mainland with most of the transactions settled in RMB, although some of the export business are settled in foreign currency. However, the recognised foreign currency assets, liabilities and foreign transactions is still exposed to currency risk. (Those foreign currency assets and liabilities are mainly USD). The Group monitor the scale of foreign currency transactions, foreign currency assets and liabilities, and adjust settlement currency of export business, to furthest reduce the currency risk.

As at 31 December 2010, financial assets and liabilities denominated in foreign currency held by the Group are as below:

	31 December 2010		
	USD	Other foreign currencies	Total
Foreign Financial assets -			
Cash at bank and on hand	65,370,045	18,256,492	83,626,537
Receivables	69,605,518	5,846,513	75,452,031
	134,975,563	24,103,005	159,078,568
Foreign Financial liabilities -			
Short-term borrowings	647,404,316	163,028,498	810,432,814
Payables	40,955,022	30,577,361	71,532,383
Long-term borrowings	207,737,728	3,801,425	211,539,153
	896,097,066	197,407,284	1,093,504,350

	31 December 2009		
	USD	Other foreign currencies	Total
Foreign financial assets -			
Cash at bank and on hand	19,831,311	16,130,815	35,962,126
Receivables	72,984,432	16,783,053	89,767,485
	92,815,743	32,913,868	125,729,611
Foreign financial liabilities -			
Short-term borrowings	645,235,772	193,916,915	839,152,687
Payables	25,308,275	31,415,561	56,723,836
Long-term borrowings	115,516,265	9,007,681	124,523,946
	786,060,312	234,340,157	1,020,400,469

At 31 December 2010, should RMB be weakened/strengthened by 10% against USD, with all other factors remain unchanged, the profit after taxation for the year would be decrease/increase by RMB58,745,048(2009: RMB53,952,227)

(b) Interest rate risk

The Group’s interest rate risk arises from the long-term interest-bearing debt such as long-term bank borrowings and Coporate Bonds. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group adjust the proportion of fixed interest rate debts and variable interest rate debts when the market environment changed. As at 31 December 2010, the Group’s long-term interest-bearing debt at variable rates and fixed rates as illustrated below:

	31 December 2010	31 December 2009
Debt at fixed rates	1,978,479,422	-
Debt at variable rates	728,203,612	908,309,884
	2,706,683,034	908,309,884

The Group continued to monitor the Group's interest rates. Increase of interest rates will lead to increase of interest expenses and have significant adverse effects on the Group. Therefore, the management monitor the latest market situation and make timely adjustments, which includes increasing / decreasing long-term fixed rate debts at the anticipation of increasing/decreasing interest rate.

At 31 December 2010, if the floating interest rates had been 10% higher/lower with all other variables held constant, net profit for the year would have been RMB2,570,373 (2009: RMB3,730,427) lower/higher.

(2) Credit risk

Credit risk is managed on group basis. Credit risk arises from deposits in banks, notes receivable, accounts receivable and other receivables.

As the Group's bank deposits are mainly placed in the state-owned banks and other large and medium listed banks, the management believe the credit risk should be limited and that no loss will occur due to event of default cause by those banks. Furthermore, as the Group's notes receivable are accepted by the state-owned banks and other large and medium listed banks, the management believe the credit risk should be limited.

Besides, the Group has set relevant policies to control the credit risk exposure for accounts receivable, other receivables and trade acceptance notes. The Group evaluates clients' credit aptitude and sets relevant credit periods based on client's financial position, possibility of guaranty from the third party, credit records and other factors like the current situation of the market. The Group supervises the clients' credit records at regular intervals. For the clients who have a rotten record, the Group will send payment reminders in written, shorten or cancel the credit period, etc. to ensure the Group's entire credit risk are under control.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows :

	31 December 2010				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial Assets					
Cash at bank and on hand	787,481,275	-	-	-	787,481,275
Receivables	671,497,746	-	-	-	671,497,746
	1,458,979,021	-	-	-	1,458,979,021
Financial liabilities -					
Short-term borrowings	882,999,158	-	-	-	882,999,158
Payables	1,374,177,486	-	-	-	1,374,177,486
Long-term borrowing due within 1year	76,934,035	-	-	-	76,934,035
Long-term borrowing	34,007,885	224,823,985	565,036,499	-	823,868,369
Bonds payable	106,600,000	106,600,000	2,298,772,055	-	2,511,972,055
	2,474,718,564	331,423,985	2,863,808,554	-	5,669,951,103

	31 December 2009				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial Assets					
Cash at bank and on hand	653,555,310	-	-	-	653,555,310
Receivables	567,873,394	-	-	-	567,873,394
	1,221,428,704				1,221,428,704
Financial liabilities -					
Short-term borrowings	2,523,831,965				2,523,831,965
Payables	1,419,578,785	-	-	-	1,419,578,785
Long-term borrowing due within 1year	65,794,224	-	-	-	65,794,224
Long-term borrowing	44,051,865	272,563,093	732,295,582	-	44,051,865
	4,053,256,839	272,563,093	732,295,582	-	4,053,256,839

(4) Fair value estimation

(a) Financial instruments measured at fair value

Other than the available-for-sale financial assets, the Group's financial assets and liabilities are not measured at fair value.

The carrying amount of the Group's financial assets and liabilities approximate their fair value except the financial liabilities as below:

	2010		2009	
	carrying amount	fair value	carrying amount	fair value
Corporate Bonds	1,978,479,422	1,950,000,000	-	-

The fair value of Coporate Bonds traded in active markets is determined on quoted market prices at the balance sheet date.

(b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

As on 31 December 2010, there were no financial instruments measured at fair value.

As at 31 December 2009, the financial assets measured at fair value by the above three

(b) levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets held for trading- Available-for-sale equity instruments	7,528,589	-	-	7,528,589

14 Assets and liabilities measured at fair value

	31 December 2009	Profits and losses on the changes in fair value	Changes in fair value recognised in the equity	Impairment recognised in current year	31 December 2010
Assets available for sale	7,528,589	-	--	-	-

15 Financial asset and liabilities dominated in foreign currency

	31 December 2009	Profits and losses on the changes in fair value	Changes in fair value recognised in the equity	Impairment recognised in current year	31 December 2010
Financial assets					
- Foreign currency and receivables	125,729,612	-	-	(286,309)	159,078,568
Financial liabilities					
- borrowing and payables	1,020,400,469	-	-	-	1,093,504,349

16 Notes to the Company’s financial statements

(1) Other receivables

	31 December 2010	31 December 2009
Other receivables due by subsidiaries	810,045,330	2,074,354,697
Others	2,329,867	829,564
	812,375,197	2,075,184,261
Less: provision for bad debts	(810,344)	(810,344)
	811,564,853	2,074,373,917

(a) The aging of receivables is analysed below:

	31 December 2010	31 December 2009
Within 1 year	811,564,853	2,074,373,917
Over 3 years	810,344	810,344
	812,375,197	2,075,184,261

(b) Other receivables are analysed by categories as below:

	31 December 2010				31 December 2009			
	Amount	% of total balance	Provision for bad debts	Provision ratio	Amount	% of total balance	Provision for bad debts	Provision ratio
Individually significant and provided for bad debts seperately	-	-	-	-	-	-	-	-
Provision for bad debts on a portfolio								
- Related parties	810,045,330	100%	-	-	2,074,354,697	100%	-	-
- Non-related parties	1,519,523	0%	-	-	19,220	0%	-	-
Individually not significant but provided for bad debts seperately	810,344	0%	(810,344)	100%	810,344	0%	(810,344)	100%
	812,375,197	100%	(810,344)	0.1%	2,075,184,261	100%	(810,344)	0.1%

(c) As at 31 December, 2010, bad debts for those not individually significant but assessed individually is analysed as below:

	Book value	Impairment provision	Provision ratio	Reason
Guangdong Shilian Company Limited	810,344	(810,344)	100%	Unlikely to be recovered

(d) No other receivables are due by the shareholders have more than 5% (include 5%) of the company's shares.

(e) The biggest five of other receivables at 31 December 2010 are analysed as below:

	Relationship with the Group	Amount	Aging	Proportion
Shenzhen CSG Float Glass Co. Ltd	Subsidiaries	188,136,967	Within one year	23%
Chengdu CSG Glass Co. Ltd.	Subsidiaries	171,680,259	Within one year	21%
Guangzhou CSG Glass Co. Ltd.	Subsidiaries	108,961,528	Within one year	14%
Yichang CSG Silicon Co., Ltd.	Subsidiaries	106,767,475	Within one year	13%
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	Subsidiaries	88,315,339	Within one year	11%
		663,861,568		82%

(f) Other receivable due by related parties are analysed as below:

Related Party Name	Relationship with the company	31 December 2010 Amount	Proportion	Impairment provision	31 December 2009 Amount	Proportion	Impairment provision
Shenzhen CSG Float Glass Co. Ltd	Subsidiaries	188,136,967	23%	-	401,787,406	19%	-
Chengdu CSG Glass Co. Ltd.	Subsidiaries	171,680,259	21%	-	479,108,736	23%	-
Guangzhou CSG Glass Co. Ltd.	Subsidiaries	108,961,528	14%	-	354,141,280	17%	-
Yichang CSG Silicon Co., Ltd	Subsidiaries	106,767,475	13%	-	96,117,802	5%	-
Shenzhen CSG Wellight Conductive Coating Co., Ltd.	Subsidiaries	88,315,339	11%	-	258,988,669	12%	-
Dongguan CSG Solar Glass Co. Ltd	Subsidiaries	41,409,837	5%	-	279,136,128	13%	-
Shenzhen CSG Display Technology Co. Ltd.	Subsidiaries	30,780,719	4%	-	31,758,398	2%	-
Wujiang CSG North-east Architectural Glass Co. Ltd.	Subsidiaries	22,454,853	3%	-	30,153,482	1%	-
Tianjin CSG Architectural Glass Co. Ltd	Subsidiaries	10,117,734	1%	-	5,790,026	0%	-
Others	Subsidiaries	41,420,619	5%	-	137,372,770	7%	-
		810,045,330	100%	-	2,074,354,697	100%	-

(2) **Long-term equity investments**

	31 December 2010	31 December 2009
Subsidiaries (Note (a))	3,670,480,538	3,102,823,394
Associate－with quoted price (Note (b))	50,239,465	-
Other long-term equity investments (Note (c))	-	21,841,000
	3,720,720,003	3,124,664,394
Less: Impairment provision for investments in subsidiaries (Note (a))	(86,874,472)	(86,874,472)
	3,633,845,531	3,037,789,922
The fair value of investments in associates with quoted price	252,189,600	-

Golden Glass, an associate of the Group was listed on 8 July 2010. The Group held 76,700,000 shares of Golden Glass, of which 591,650,000 shares was restricted in 12 month since Golden Glass's listing and the rest 175,350,000 shares was restricted in 36 month since its lising. Besides, the long-term equity investments of the Group are not subject to restriction on conversion into cash.

The fair value of associates with quoted price was determined by the quoted price as at 31 December 2010.

(a) Subsidiaries

	Accounting method	Initial investment cost (i)	31 December 2009	Addition/ (Deduction)	31 December 2010	Impairment provision	Impairment provision for this year	Cash dividend declared to distribution
Shenzhen CSG Float Glass Co. Ltd	Cost method	705,736,250	610,535,508	102,538,465	713,073,973	-	-	-
Guangzhou CSG Glass Co. Ltd.	Cost method	195,000,000	198,937,459	1,650,670	200,588,129	-	-	64,949,236
Chengdu CSG Glass Co. Ltd.	Cost method	99,514,360	109,637,624	4,528,542	114,166,166	-	-	239,482,427
Tianjin CSG Architectural Glass Co. Ltd	Cost method	133,500,000	137,306,740	6,102,608	143,409,348	-	-	7,599,635
Tianjin Energy Conservation Glass Co. Ltd	Cost method	96,000,000	99,806,740	(2,393,584)	97,413,156	-	-	45,372,220
Shenzhen CSG Display Technology Co. Ltd.	Cost method	55,867,928	61,898,804	(3,835,523)	58,063,281	-	-	27,565,316
Shenzhen CSG Wellight Conductive Coating Co. Ltd.	Cost method	73,624,561	77,304,748	1,405,851	78,710,599	-	-	-
Dongguan CSG Architectural Glass Co. Ltd	Cost method	180,000,000	188,737,451	3,451,847	192,189,298	-	-	95,045,588
Dongguan CSG Solar Glass Co. Ltd	Cost method	128,753,465	135,176,532	1,973,012	137,149,544	-	-	78,078,792
Yichang CSG Silicon Co. Ltd	Cost method	450,000,000	458,177,775	3,877,367	462,055,142	-	-	-
Wujiang CSG North-east Architectural Glass Co. Ltd.	Cost method	240,000,000	245,963,131	3,250,464	249,213,595	-	-	67,662,098
Dongguan CSG PV-tech Co. Ltd	Cost method	187,500,000	78,963,244	114,335,488	193,298,732	-	-	-
Hebei CSG Glass Co. Ltd.	Cost method	253,354,574	258,792,013	2,281,640	261,073,653	-	-	65,459,955
Dongguan CSG Ceramics Technology Co. Ltd	Cost method	50,000,000	53,062,114	(1,532,484)	51,529,630	-	-	5,298,425
CSG (Hong Kong) Co. Ltd.	Cost method	81,664,761	83,930,640	1,106,197	85,036,837	-	-	-
Wujiang CSG Glass Co. Ltd.	Cost method	102,126,000	-	102,556,259	102,556,259	-	-	-
Hebei Shichuang Glass Co., Ltd.	Cost method	243,000,000	-	243,000,000	243,000,000	-	-	-
CSG (Australia) Co., Ltd	Cost method	3,200,555	4,167,699	472,157	4,639,856	-	-	5,377,985
Jiangyou CSG Mining Development Co., Ltd	Cost method	28,000,000	5,765,796	22,561,883	28,327,679	-	-	-
Others(ii)	Cost method	246,036,469	294,659,376	(39,673,715)	254,985,661	(86,874,472)	-	10,313,502
		3,552,878,923	3,102,823,394	567,657,144	3,670,480,538	(86,874,472)	-	712,205,179

(i) As at 31 December 2010, included in the investments in subsidiaries were deemed investment costs of RMB117,601,615, being the fair value of the equity instruments of the Company granted to the employee of the subsidiaries for their serviced provided to the subsidiaries for which the Company did not charge the subsidiaries. (2009: RMB82,856,622)

(ii) Others mainly included subsidiaries of architectural segment, which located in Shenzhen but the production lines have moved to Dong guan. The operations of the subsidiaries have discontinued. The Company has made provision against the long term investment in these subsidiaries.

(b) Associates

			Movement in the year				
	Original Cost	31 December 2009	Transfer in this year	Net profit or loss by adjusted under equity method	declared cash dividend	Other equity movement	31 December 2010
Golden Glass	17,641,000	-	17,641,000	3,382,611	-	29,215,854	50,239,465

	Method	Proportion of stake	Proportion of rights	Notes for difference between proportion of stake and rights	Provision	Provision accrual in this year
Golden Glass	Equity	6.39%	6.39%	None	-	-

(c) Other long-term equity investments

	Method	Original Cost	31 December 2009	Movement in the year	31 December 2010	Cash dividends declared this year
Beijing Wan Tong Industrial Co., Ltd.	Cost	4,200,000	4,200,000	(4,200,000)	-	277,200

(3) **Long term receivables**

	31 December 2010	31 December 2009
Substantive long-term investments in subsidiaries	2,459,547,032	714,758,835
Less: impairment provision	(143,508,415)	(143,508,415)
	2,316,038,617	571,250,420

	31 December 2009	Addition/ (Deduction)	31 December 2010	Addition of Impairment	Deduction of Impairment
Shenzhen CSG Wellight Conductive Coating Co. Ltd.	55,704,030	219,610,000	275,314,030	-	-
Yichang CSG Silicon Co. Ltd	-	244,960,000	244,960,000	-	-
Dongguan CSG PV-tech Co. Ltd	-	220,210,000	220,210,000	-	-
Shenzhen CSG Float Glass Co. Ltd	75,000,000	141,000,000	216,000,000	-	-
Wujiang CSG Glass Co. Ltd.	-	200,000,000	200,000,000	-	-
Chengdu CSG Glass Co. Ltd.	-	319,330,000	319,330,000	-	-
Guangzhou CSG Glass Co. Ltd.	-	159,670,000	159,670,000	-	-
Dongguan CSG Solar Glass Co. Ltd	-	147,560,000	147,560,000	-	-
Dongguan CSG Architectural Glass Co. Ltd.	146,267,089	(11,360,669)	134,906,420	-	-
Tianjin Energy Conservation Glass Co. Ltd	180,000,000	(61,071,707)	118,928,293	-	-
Wujiang CSG North-east Architectural Glass Co. Ltd.	56,000,000	39,780,000	95,780,000	-	-
Shenzhen CSG Display Technology Co. Ltd.	50,743,944	-	50,743,944	-	-
Heyuan CSG Mining Co., Ltd.	-	50,000,000	50,000,000	-	-
Hebei CSG Glass Co. Ltd.	-	39,780,000	39,780,000	-	-
Jiangyou CSG Mining Development Co., Ltd.	-	37,350,000	37,350,000	-	-
Others	151,043,772	(2,029,427)	149,014,345	(143,508,415)	-
	714,758,835	1,744,788,197	2,459,547,032	(143,508,415)	-

The company recognises impairment provisions on the long term receivables based on the insolvency amount of the subsidiaries.

(4) **Other payables**

	31 December 2010	31 December 2009
Subsidiaries	466,772,089	86,254,852
Liabilities relating to shares repurchase	2,762,840	12,654,600
Others	11,270,436	13,728,349
	480,805,365	112,637,801

(5) **Investment income**

	2010	2009
Cash dividends of investment stated at cost(a)	712,482,379	473,033,707
Investment income on disposal of equity interest	45,144,300	-
Gain on disposal of available-for-sale financial assets	9,055,042	17,538,302
Share of profit of investee under euqity method	3,382,611	-
Reversal of provision for long-term impairment of receivables	-	6,802,671
	770,064,332	497,374,680

(a) Cash dividends of investment stated at cost

There is no significant restriction on the investment income remittance to the Company.

Investment incomes from top five investees or amounted to over 5% of total profit are analysed as below:

	2010	2009	Reason for the movement
Chengdu CSG Glass Co. Ltd.	239,482,427	93,357,852	Profit increased
Dongguan CSG Architectural Glass Co. Ltd.	95,045,588	52,235,360	Profit increased
Dongguan CSG Solar Glass Co. Ltd	78,078,792	100,875,695	Profit decreased
Wujiang CSG North-east Architectural Glass Co. Ltd.	67,662,098	13,101,757	Profit increased
Hebei CSG Glass Co. Ltd.	65,459,955	-	Dividend distribution for 2010 but not for 2009
Guangzhou CSG Glass Co., Ltd	64,949,236	21,413,104	Profit increased
Tianjin Energy Conservation Glass Co., Ltd.	45,372,220	35,273,698	Profit increased
	656,050,316	316,257,466	

(6) **Notes to the Company's cash flow statements**

Reconciliation from the net profit to the cash flows from operating activities

	2010	2009
Net profit	694,755,456	460,142,440
Add: Depreciation of fixed assets	2,413,993	2,719,591
Amortisation of intangible assets	466,002	66,816
Losses on disposal of fixed assets and intangible assets	42,842	3,962
Finance expenses	4,447,512	(22,623,375)
Investment income	(770,064,332)	(497,374,680)
Increase in deferred income tax liabilities	8,149,616	-
Value of employee service relating to share based payment	20,827,454	28,018,434
Increase in operating receivables	(113,165,061)	(45,865,119)
Increase in operating payables	45,448,836	39,238,297
Net cash flows from operating activities	(106,677,682)	(35,673,634)

Movement of the cash and cash equivalent

	2010	2009
Cash at the end of the year	373,901,165	370,558,509
Less: Cash at the beginning of the year	370,558,509	168,142,506
Net increase in cash and cash equivalent	3,342,656	202,416,003

CSG HOLDING CO., LTD.

Supplemental information

1 Breakdown of non-recurring gains and losses

	2010	2009
Gains and losses of disposal of non-current asset	11,165,417	107,764,956
Government subsidy recognised as gains and losses	(33,675,322)	(23,865,251)
Gain from disposal of available for sales financial assets	(9,055,042)	(17,538,302)
Net gains from disposal of the equity interest	(40,359,075)	-
Other non-operating gains and losses	(9,726,576)	(173,425)
	(81,650,598)	66,187,978
Effect of coporate income tax	11,578,309	(19,237,132)
Effect of minority interest (after tax)	1,000,414	3,038,898
	(69,071,875)	49,989,744

(1) The basis of preparation of extraordinary gains and losses schedule

According to the Q&A on Disclosure of Information by Public Companies No1-Extraordinary gains and losses [2008], extraordinary gains and losses are the gains and losses being resulted from transactions/events which are not incurred by the operation of the entity, or, though incurred by the operation, the nature, amounts or the frequently of such transactions/events will lead to a misleading presentation of the normal performance and profitability of the operation of the entity.

2 Return on equity and earnings per share

	Weighted average ROE (%)		Earning per share: Basic earning per share		Earning per share: Dilute earning per share	
	2010	2009	2010	2009	2010	2009
Net profit attributable to common stock shareholders	25.04%	16.86%	0.70	0.40	0.70	0.40
Net profit less Non-recurring gains and losses attributable to common stock shareholders	23.85%	17.87%	0.67	0.42	0.67	0.42

3 Description of significant movement of the main financial statement data of the Group

The items which variation in the financial statement data is up to 30% (30% containing) above, or proportion of the whole asset on 31 December 2010 is up to 5%(5% containing) or proportion of the whole profit up to 10%(10% containing) are analysed as below:

Items of balance sheet：

	Ending balance	Opening balance	Increase/Decrease	Rate	Note
Cash at bank and on hand	787,481,275	653,555,310	133,925,965	20%	(1)
Notes receivable	362,674,115	247,083,387	115,590,728	47%	(2)
Other receivables	66,622,324	15,377,152	51,245,172	333%	(3)
Other current assets	24,914,873	17,500,000	7,414,873	42%	(4)
Available for sale financial assets	-	7,528,589	(7,528,589	(100%)	(5)
Long-term equity investments	65,501,259	27,200,000	38,301,259	141%	(6)
Fixed assets	8,830,895,516	8,054,820,901	776,074,615	10%	(7)
Construction in progress	786,077,413	631,983,774	154,093,639	24%	(8)
Development expenditure	3,142,226	-	3,142,226	-	(9)
Long-term prepaid expenses	1,002,500	162,487	840,013	517%	(10)
Other non-current assets	233,029,885	-	233,029,885	-	(11)
Short-term borrowings	877,132,815	2,481,152,687	(1,604,019,872	(65%)	(12)
Accounts payable	950,310,253	988,710,853	(38,400,600	(4%)	(13)
Employee benefits payable	186,997,327	118,810,114	68,187,213	57%	(14)
Taxes payable	121,232,388	72,035,028	49,197,360	68%	(15)
Interest payable	24,589,510	14,880,351	9,709,159	65%	(16)
Other payables	161,386,242	117,866,771	43,519,471	37%	(17)
Other current liabilities	2,926,872	6,310,532	(3,383,660	(54%)	(18)
Long-term borrowings	728,203,612	908,309,884	(180,106,272	(20%)	(19)
Bonds payable	1,978,479,422	-	1,978,479,422	-	(20)
Special payable	700,008	1,275,002	(574,994	(45%)	(21)
Deferred income tax liabilities	29,507,743	10,333,313	19,174,430	186%	(22)
Other non-current liabilities	173,537,976	68,004,475	105,533,501	155%	(23)
Equity	2,076,721,060	1,223,738,124	852,982,936	70%	(24)
Capital surplus	1,309,834,212	2,127,613,867	(817,779,655	(38%)	(25)
Less: treasury stock	(578,000)	(1,492,500)	914,500	(61%)	(26)
Special Reserve	5,683,705	-	5,683,705	-	(27)

Notes:

(1) The increase of cash at bank and on hand was due to the increase of other cash and cash equivalents.

(2) The addition of notes receivable was mainly because the settlement of payment through bank acceptance was increased.

(3) Other receivable increase was mainly resulted from the increase of refund of tax for export, payment of guarantee deposit.

(4) As the Group will dispose Dongguan Ceramics, equipment and transportation vechiels of Dongguan Ceramics were reclassified to non-current assets held for sale.

(5) The decrease of available for sale financial assets was mainly because of the dispose of available-for-sale financial assets.

(6) The increase of long-term equity investments was mainly due to increase of relevant share of net assets in Golden Glass, which was listed in 2010 and regarded as an associate held by the Group

(7) The increase in fixed asset was mainly because a number of constructions in progress were completed this year and transferred to fixed assets.
(8) The increase of construction in progress was primarily due to the successful implementation of Group's investment plans.
(9) The increase of development expenditure was mainly due to the capitalisation of research and development expenses which has been presented in the financial statement according to accounting standards.
(10) Long-term prepaid expenses increased as Jiangyou CSG Mining Development Co., Ltd prepaid rental fee of mine.
(11) Other non-current assets mainly included prepaid land grand fee.
(12) The short-term loan decreased as it was repaid or replaced by the corporate bonds.
(13) The decrease of accounts payable was mainly due to the settlement of construction in progress and equipment according to the Group's plan.
(14) The increase on employee benefits payable was due to the increase of management bonus and salaries.
(15) Increase of sales and gross profit led to the increase of tax payable, especially for VAT and income tax.
(16) The increase on interest payable was mainly due to the interest accrued for Group's bond that not settled.
(17) The increase on other payables was mainly due to the increase of guarantee money received.
(18) Other current liabilities decreased because the Group write-off some of the provision accrued in previous years.
(19) The decline in long-term borrowings was due to the repayment of the Long-term borrowings.
(20) The increase on bonds payable was mainly due to the issuance of the corporate bonds with a face value of 2 billion.
(21) The decline on special payable was mainly because the grants received from government was transferred to non-operating income.
(22) The increase on deferred tax liability was mainly due to the increase of withholding tax as a result of remitting dividends to overseas subsidiary and the recognition of the deferred tax liabilities caused by unrealised investment income related to Golden Glass.
(23) The increase on other non-current liabilities is mainly because the subsidiary of the Group, Yichang CSG Silicon Co., Ltd. received interest-free loans from the government.
(24) The increase on equity is mainly due to the capitalisation of common reserves.
(25) The decline of capital surplus mainly due to the capitalisation of common reserves.
(26) The decline of treasury stock mainly due to the cancellation of treasury stock.
(27) The increase on special reserve is mainly due to safety production costs appropriated by the subsidiary, Yichang CSG Silicon Co., Ltd.

Items of Income statement

	2010	2009	Addition/ (Deduction)	Fluctuation	Note
Revenue	7,743,941,694	5,279,100,133	2,464,841,561	47%	(28)
Cost	4,943,639,993	3,435,574,687	1,508,065,306	44%	(29)
Selling expense	265,636,421	242,211,660	23,424,761	10%	(30)
General and administrative expense	556,316,614	419,964,357	136,352,257	32%	(31)
Asset impairment loss	86,485,738	16,961,266	69,524,472	410%	(32)
Investment income	54,101,502	19,080,703	35,020,799	184%	(33)
Non-operating income	59,478,017	31,914,360	27,563,657	86%	(34)
Non-operating loss	27,241,536	115,640,640	(88,399,104)	(76%)	(35)
Income tax expense	268,388,353	74,455,290	193,933,063	260%	(36)

Note:

(28) Revenue increased as the unit selling price arised and sales volumn enlarged in both floating glass segment and solar energy segment

(29) The increase on cost was mainly due to the expansion of the group's business scale.

(30) The increase of selling and distribution expense is mainly due to increase of sales volumn.

(31) The increase on general and administrative expense was mainly due to the increase of the expenses related to share based payment and management bonus as well as research and development expenditures.

(32) The increase of asset impairment loss was mainly due to more impairment of fixed assets were made compared with the previous year.

(33) The increase of investment income was mainly due to the listing of Glass Co which was regard as an associate. Golden Glass's listing made the shares held by the Company diluted. The Group recognised investment income as deemed disposal.

(34) The increase of non-operating income was mainly due to the increase of government grant received and disposal gain of the fixed assets.

(35) The decrease of non-operating losses was mainly due to the decrease of disposal loss of the fixed assets compared with last year.

(36) The increase on income tax is mainly due to the increase on pre-tax profit and the rate of corporate income tax.

§11 Documents for Reference

I. Original of Annual Report with the signature of legal representative;
II. Financial statements with the signature and seal of the legal representative, chief financial officer (CFO) and manager of financial department.
III. Original of the Auditor’s Report with the seal of Pricewaterhouse Coopers Zhongtian Certified Public Accountants and the signature and seal of the certified public accountant.
IV. Original of the documents and public notices disclosed on the newspapers designated by the China Securities Regulatory Commission (CSRC) in the report period.

Board of Directors of
CSG Holding Co., Ltd.
18 March 2011