

CSG HOLDING CO., LTD.

THE FIRST QUARTER REPORT 2011



Chairman of the Board:

ZENG NAN

April 2011

I Important Notes

- i** The board of directors, the supervisory committee, all directors and supervisors and the senior executive of CSG Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no fictitious statements, serious misleading or important omissions information carried in this report, and shall take all responsibilities, jointly and severally, for the truthfulness, accuracy and completeness of the whole contents.
- ii** The first quarter financial report of 2011 has not been audited by the public accountants.
- iii** Chairman of the Board and CEO of the Company Mr. Zeng Nan, CFO Mr. Luo Youming, and Principle of the Financial Department Mr. Huang Yanbin hereby confirm that the Financial Report of the First Quarter Report 2011 is true and complete.
- iv** This Report is prepared both in Chinese and in English. Should there be any differences in interpretation of the contents between the two versions, the Chinese version shall prevail.

II Company Profile

i Main Accounting Data and Financial Indexes

Unit: RMB

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

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

Items of extraordinary gains and losses

√ Applicable □ Inapplicable

Unit: RMB

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

ii Total number of shareholders and particulars about the shares held by the top ten unrestricted shareholders at the end of the report period.

Unit: Share

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

III Significant events

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

√ Applicable □ Inapplicable

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

Notes:

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

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

(i) Particular about Qualified Opinion

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

(iv) Others

Applicable Inapplicable

A. Private A-share Offering to Specific Investor

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

B. Short-term Financial Bonds

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

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

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

D. Additional Consolidation Scope in Report Period

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

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

E. Proceeding of option incentive

According as Restricted A Shares Incentive Plan (hereinafter referred to Incentive Plan) approved by Shareholders' General Meeting, the Company issued 49.14 million restricted A-shares through private offering in total to 244 specific employees privately in July 2008, at price of RMB 8.58 per share. The raised fund is RMB 421,621,200.

- (a) On 18 June 2009 and 20 January 2010, the Company has bought back and wrote off total 14,407,500 restricted A shares respectively. Among these, 12,062,500 restricted A shares have been bought back and wrote off because the achievement index of the Company 2008 didn't satisfied unlocking conditions, 2,345,000 restricted A shares have been bought back and wrote off because 22 former incentive staffs resigned and didn't accord with the qualification of incentive plan.
- (b) On 13 May 2010, the Company implemented 2009 Annual Profit Distribution Plan, namely sending RMB 3.50 (tax included) in cash for every 10 shares to all shareholders, and provided share capital converted from capital reserves with 7 shares increased for each 10 shares at the same time. The amount of incentive restricted A shares add from 34,732,500 shares to 59,045,250 shares.

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

- (c) On 30 July 2010 and 28 January 2011, the Company has bought back and wrote off total of 2,439,500 restricted A shares respectively because 14 former incentive staffs had resigned and didn't accord with the qualification of incentive plan.
- (d) On 18 March 2011, the 20th Meeting of 5th Board of Directors examined and considered that the Phase III restricted shares held by incentive staffs satisfied unlocking conditions according to the regulations of Restricted A Shares Incentive Plan.
- (e) At present, there were total of 255,000 restricted shares held by one former incentive staff were still waiting for buying back and writing off.

Details of the aforementioned could be found in relevant notices on China Securities Journal, Securities Times, Hong Kong Wen Wei Po and Juchao website (www.cninfo.com.cn) dated 19 June 2009, and relevant notices on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao website (www.cninfo.com.cn) dated 22 January 2010, 26 May 2010, 24 June 2010, 31 July 2010, 29 January 2011, 22 March 2011 and 16 April 2011.

F. Progress of Internal Control Construction

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

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

√ Applicable □ Inapplicable

Item of Commitments	Promisee	Content of commitments	Implementation
Commitments for Share Merger Reform	the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited and Xing Tong Chan Industrial Development	The Company has implemented share merger reform in May 2006. Till June 2008, the share of the original non-tradable shareholders which holding over 5% total shares of the Company had all released. Therein, the original non-tradable shareholder Shenzhen International Holdings (SZ) Limited (with former name of Yiwan Industrial Development (Shenzhen) Co., Ltd.) and Xing Tong Chan Industrial Development (Shenzhen) Co., Ltd. both are wholly-funded subsidiaries to Shenzhen	By the end of the report period, the original non-tradable shareholders of the Company have strictly carried out their promises.

	(Shenzhen) Co., Ltd.	International Holdings Limited (hereinafter Shenzhen International for short) listed in Hong Kong united stock exchange main board. On 9 July 2009, Shenzhen International held the Shareholders' General Meeting and authorized its board of directors to sale the CSG A share held by Shenzhen International at price of no less than RMB 8.5. Shenzhen International made commitment that it would strictly carry out related regulations of Securities Law, Administration of the Takeover of Listed Companies Procedures and Guiding Opinions on the Listed Companies' Transfer of Original Shares Released from Trading Restrictions issued by CSRC during implementing share decreasingly-held plan and take information disclosure responsibility timely.	
Commitments made in Acquisition Report or Reports on Change in Interests	-	-	-
Commitments made in Material Assets Reorganization	-	-	-
Commitments made in issuing	-	-	-
Other commitments (including additional commitments)	-	-	-

iv Warning and explanation on forecast loss in accumulative net profit from the year begin to the end of next report period, or any significant changes occurred in accumulative net profit comparing with the same period in last year.

Applicable Inapplicable

v Other significant events.

(i) Particulars about securities investment

Applicable Inapplicable

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

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

vi Particulars about derivatives investment

Applicable Inapplicable

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

Applicable Inapplicable

IV Financial Statement

i Balance Sheets

Prepared by: CSG Holding Co., Ltd.

January to March in 2011

Unit: RMB

Item	31 March 2011		1 January 2010	
	Consolidated	Company	Consolidated	Company
Current assets				
Cash at bank and on hand	1,219,112,574	271,114,157	787,481,275	373,901,165
Notes receivable	262,952,053		362,674,115	
Accounts receivable	442,881,937		242,201,307	
Advances to suppliers	139,296,465	840,000	107,782,146	40,000
Dividends receivable		5,298,425		5,298,425
Other receivables	90,171,678	722,799,361	66,622,324	811,564,853
Inventories	609,085,498		478,735,794	
Other current assets	23,655,717		24,914,873	
Total current assets	2,787,155,922	1,000,051,943	2,070,411,834	1,190,804,443
Non-current assets				
Long-term receivables		2,251,871,096		2,316,038,617
Long-term equity investments	65,501,259	4,052,756,315	65,501,259	3,633,845,531
Fixed assets	8,829,568,135	29,223,599	8,830,895,516	27,627,216
Construction in progress	1,169,464,296		786,077,413	
Intangible assets	454,593,663	5,476,020	381,276,917	5,600,854
Research and development expenditure	6,038,663		3,142,226	
Goodwill	18,404,380		18,404,380	
Long-term prepaid expense	970,160		1,002,500	
Deferred tax assets	75,402,418		79,877,237	
Other non-current assets	233,029,885		233,029,885	21,840,000
Total non-current assets	10,852,972,859	6,339,327,030	10,399,207,333	6,004,952,218
TOTAL ASSETS	13,640,128,781	7,339,378,973	12,469,619,167	7,195,756,661
Current liabilities				
Short-term borrowings	1,337,471,694	209,492,500	877,132,815	111,620,900
Notes payable	281,717,914		237,891,481	
Accounts payable	918,685,284		950,310,253	
Advances from customers	156,985,263		161,127,001	
Employee benefits payable	76,327,175	11,117,324	186,997,327	97,163,797
Taxes payable	120,181,864	1,140,576	121,232,388	1,198,110

Interest payable	52,070,485	2,632,044	24,589,510	1,314,600
Dividends payable	687,627	687,627	687,627	687,627
Other payables	218,727,480	555,806,961	161,386,242	480,805,365
Current portion of non-current liabilities	151,610,676		75,690,541	
Other liabilities	2,926,872		2,926,872	
Total current liabilities	3,317,392,334	780,877,032	2,799,972,057	692,790,399
Non-current liabilities				
Long-term borrowings	851,035,080		728,203,612	
Bonds payables	1,979,458,964	1,979,458,964	1,978,479,422	1,978,479,422
Special payables	621,996		700,008	
Deferred tax liabilities	34,385,766	8,149,616	29,507,743	8,149,616
Other non-current liabilities	236,055,945		173,537,976	
Total non-current liabilities	3,101,557,751	1,987,608,580	2,910,428,761	1,986,629,038
Total liabilities	6,418,950,085	2,768,485,612	5,710,400,818	2,679,419,437
Owners' equity				
Paid-in capital	2,076,143,060	2,076,143,060	2,076,721,060	2,076,721,060
Capital surplus	1,312,551,831	1,370,574,475	1,309,834,212	1,359,890,506
Less: Treasury shares			578,000	578,000
Special reserve	6,872,196		5,683,705	
Surplus reserve	506,530,148	506,530,148	506,530,148	506,530,148
Undistributed profits	2,900,006,965	617,645,678	2,484,699,065	573,773,510
Difference on translation of foreign currency financial statements	2,001,500		1,981,019	
Total equity attributable to equity holders of the Company	6,804,105,700	4,570,893,361	6,384,871,209	4,516,337,224
Minority interests	417,072,996		374,347,140	
Total owners' equity	7,221,178,696	4,570,893,361	6,759,218,349	4,516,337,224
TOTAL LIABILITIES AND OWNER'S EQUITY	13,640,128,781	7,339,378,973	12,469,619,167	7,195,756,661

ii Income Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2011

Unit: RMB

Items	January to March in 2011		January to March in 2010	
	Consolidated	Company	Consolidated	Company
Total revenue	2,095,159,077	992,033	1,556,783,199	
Incl. Revenue	2,095,159,077	992,033	1,556,783,199	
Total cost	1,579,140,820	11,605,644	1,187,023,145	14,065,694
Less: Cost of sales	1,335,994,033	275,777	992,931,608	
Taxes and surcharges	10,022,051		1,171,124	
Selling and distribution expenses	69,453,695		57,022,695	
General and administrative expenses	124,282,615	10,213,346	105,758,064	14,910,824
Financial expenses	35,388,232	1,116,521	27,898,915	-845,130
Asset impairment losses	4,000,194		2,240,739	
Add: Investment income		54,289,401	9,055,044	9,055,044
Operating profit	516,018,257	43,675,790	378,815,098	-5,010,650
Add: Non-operating income	27,185,388	200,000	16,503,390	220,000
Less: Non-operating expenses	298,029	3,622	1,423,047	17,205
Including: Loss on disposal of non-current assets	228,893	3,622	517,781	1,725
Total profit	542,905,616	43,872,168	393,895,441	-4,807,855
Less: Income tax expenses	92,171,585		61,180,815	
Net profit	450,734,031	43,872,168	332,714,626	-4,807,855
Attributable to equity holders of the Company	415,307,904	43,872,168	299,246,474	-4,807,855
Minority interests	35,426,127		33,468,152	
Earnings per share				
- Basic	0.20		0.14	
- Diluted	0.20		0.14	
Other comprehensive income	1,470,481		-5,554,659	-6,184,231
Total comprehensive income	452,204,512	43,872,168	327,159,967	-10,992,086
Total comprehensive income attributable to equity holders of the Company	416,415,885	43,872,168	293,691,815	-10,992,086
Total comprehensive income attributable to minority interests	35,788,627		33,468,152	

iii Cash Flow Statement

Prepared by: CSG Holding Co., Ltd.

January to March in 2011

Unit: RMB

Items	January to March in 2011		January to March in 2010	
	Consolidated	Company	Consolidated	Company
Cash flows from operating activities				
Cash received from sales of goods or rendering of services	2,205,879,009		1,619,274,168	
Refund of taxes and surcharges	85,429,028		2,558,845	
Cash received relating to other operating activities	13,940,907	896,744	10,615,046	961,796
Sub-total of cash inflows	2,305,248,944	896,744	1,632,448,059	961,796
Cash paid for goods and services	1,291,308,739		948,468,668	
Cash paid to and on behalf of employees	301,876,358	104,923,662	194,094,597	57,401,147
Payments of taxes and surcharges	218,694,163	210,439	183,788,038	49,338
Cash paid relating to other operating activities	85,205,744	1,547,648	101,831,125	1,331,102
Sub-total of cash outflows	1,897,085,004	106,681,749	1,428,182,428	58,781,587
Net cash flows from operating activities	408,163,940	-105,785,005	204,265,631	-57,819,791
Cash flows from investing activities				
Cash received from disposal of investments		133,000,000	10,401,160	10,401,160
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	424,515		6,973,260	
Cash received from disposal of subsidiaries and other companies	5,000,000	5,000,000		
Cash received relating to other investing activities	26,243,187	263,010,537	16,373,565	21,968,600
Sub-total of cash inflows	31,667,702	401,010,537	33,747,985	32,369,760
Cash paid to acquire fixed assets, intangible assets and other long-term assets	729,545,005	1,146,505	370,451,384	290,844
Cash paid to acquire investments		490,739,650		152,400,000
Cash paid relating to other investing activities			13,017,160	
Sub-total of cash outflows	729,545,005	491,886,155	383,468,544	152,690,844
Net cash flows from investing activities	-697,877,303	-90,875,618	-349,720,559	-120,321,084
Cash flows from financing activities				
Cash received from capital contributions	54,183,957			
Including: Cash received from capital contributions by minority shareholders of a subsidiaries	54,183,957			
Cash received from borrowings	1,148,299,785	98,871,600	251,417,394	
Cash received from other financing activities	88,952,676		2,816,631	
Sub-total of cash inflows	1,291,436,418	98,871,600	254,234,025	
Cash repayments of borrowings	489,209,302	1,000,000	104,193,277	
Cash payments for interest expenses and distribution of dividends or profits	15,936,738	1,208,682	18,210,538	258,967
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries				
Cash payments relating to other financing activities	38,922,840	2,762,840	8,840,400	8,840,400
Sub-total of cash outflows	544,068,880	4,971,522	131,244,215	9,099,367
Net cash flows from financing activities	747,367,538	93,900,078	122,989,810	-9,099,367
Effect of foreign exchange rate changes on cash and cash equivalents	-704,800	-26,463	-207,956	-1,991
Net increase/(decrease) in cash and cash equivalents	456,949,375	-102,787,008	-22,673,074	-187,242,233
Add: Cash and cash equivalents at beginning of year	660,213,739	373,901,165	635,618,163	370,558,509
Cash and cash equivalents at end of year	1,117,163,114	271,114,157	612,945,089	183,316,276

iv Audit report

Auditors' opinions: Not been audited.

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