CSG TECHNOLOGY HOLDING CO., LTD.

2001 ANNUAL REPORT

Contents:

I. Important Notice

The Board of Directors of CSG Technology Holding Co., Ltd. (hereinafter referred to as the Company) hereby confirms that there are no important omissions, fictitious statements or serious misleading information carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

This Report is prepared both in Chinese and in English. Should there be any difference in interpretation of the text between the two versions, the Chinese version shall prevail.

II. Company Profile

1. Legal Name of the Company
   In Chinese: 中国南玻科技控股（集团）股份有限公司
   In English: CSG Technology Holding Co., Ltd.
   Short Form in Chinese: 南玻集团
   Short Form in English: CSG

2. Legal Representative: Chen Chao

3. Secretary of the Board of Directors: Wu Guobin
   Authorized Representative in Charge of Securities Affairs: Zhang Zhiping
   Liaison Address:
   CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, P.R.China
   Tel: (86) 755-6695970
   Fax: (86) 755-6692755
   E-mail: szcsgcsg@public.szptt.net.cn

4. Registered Address and Office Address of the Company:
   CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, P.R.China
   Post Code: 518067
   Company's Internet Web Site: http://www.csgholding.com
   E-mail: nbdnb@public.szptt.net.cn

5. Newspapers for Disclosing the Information:
   China Securities Journal, Securities Times and Ta Kung Pao
   Internet Web Site Designated by China Securities Regulatory Commission for Publishing the Annual Report:
   http://www.cninfo.com.cn
   The Place Where the Annual Report is Prepared and Placed:
   Securities Department,
   5/F, CSG Building, No.1, 6th Industrial Road, Shekou, Shenzhen, P.R.China

6. Stock Exchange Listed with: Shenzhen Stock Exchange
   Short Form of the Stock (A-share): Southern Glass Technology
   Short Form of the Stock (B-share): Southern Glass B
   Stock Code (A-share): 000012
   Stock Code (B-share): 200012

7. Other Information About the Company

(1) Initial registration date and place
Initial registration date: Sept. 10, 1984
Initial registration place: Shenzhen

(2) Entity Business License Registration number: GSWQGYSZ Zi No. 100482

(3) Tax Registration Number:
National Revenue: S Zi 440301618838577
Local Revenue: D Zi 440305618838577

(4) The Certified Public Accountants engaged by the Company:
Domestic: Arthur Andersen . Hua Qiang Certified Public Accountants
Address: 28/F-29/F International Financial Bldg. 2022 Jianshe Road, Shenzhen
Overseas: Arthur Andersen & Co
Address: 21/F, Duke Bldg., Zhidi Plaza, No. 15, Queen Avenue C., Zhonghuan, Hong Kong

III. Financial Highlight

(I) Major accounting data as of the report period (Unit: In RMB)

(1) Profit before tax	158,443,775
(2) Net profit	153,207,380
(3) Gross Profit	369,204,122
(4) Other operating income, net	7,521,297
(5) Profit from operations	186,815,990
(6) Net cash provided by operating activities	329,272,436
(7) Net increase in cash and cash equivalents	-16,233,903

In the year 2001, the Company realized a net profit amounting to RMB 153,207,380 and RMB 151,297,232 respectively audited by Arthur Andersen & Co. and Arthur Andersen . Hua Qiang Certified Public Accountants. The difference between two results was due to: (Unit: In RMB)

As reported under IAS:	153,207,380
Impact of adjustments:	
Real estate sales recognition	7,407,793
Deferred assets amortization	-9,325,981
Deferred tax	792,852
Others	-784,812
As reported under CAS:	151,297,232

(II) Major accounting date and financial indexes over the past three years (Unit: In RMB)

Before adjustment

Items	2001	2000	1999
Sales	1,021,424,418	1,163,618,332	965,698,976
Net profit	153,207,380	189,359,453	-164,367,913
Total assets	2,687,911,944	2,729,248,353	2,852,587,909
Shareholders' equity	1,936,767,845	1,864,892,223	1,753,987,882
Earnings per share	0.23	0.28	-0.24
Net assets per share	2.86	2.75	2.59
Net cash flow per share arising from operating activities	0.49	0.43	0.28
Return on Equity (%)	7.91	10.15	-9.37

After adjustment

Items	2001	2000	1999
Sales	1,021,424,418	1,163,618,332	965,698,976
Net profit	153,207,380	189,359,453	-146,533,695
Total assets	2,687,911,944	2,755,818,156	2,773,376,343
Shareholders' equity	1,936,767,845	1,864,892,223	1,674,999,297
Earnings per share	0.23	0.28	-0.22
Net assets per share	2.86	2.75	2.47
Net cash flow per share arising from operating activities	0.49	0.43	0.27
Return on Equity (%)	7.91	10.15	-8.75

(III) Particulars about change in shareholders' equity in the report period (Unit: In RMB)

Items	Share capital	Capital public reserve	Surplus public reserve	Statutory public welfare fund	Undistributed profit	Total
Amount at the beginning of the report period	676,975,416	927,897,465	105,547,358	71,562,025	81,752,146	1,864,892,223
Increase as of the report period			10,254,878	5,127,440	56,588,012	71,875,622
Decrease as of the report period						
Amount at the end of the report period	676,975,416	927,897,465	115,802,236	76,689,465	138,340,158	1,936,767,845
Reason of change			Withdraw from the profit of the report period	Withdraw from the profit of the report period	The balance after the distribution of the profit	Mainly due to the profit of the report period

IV. Changes in Share Capital and Particulars about the Shareholders

(I) Changes in share capital

1. Statement of changes in share capital as of the report period

(Unit: Share)

	Before the change	Increase/ Decrease (+ / -) as of the period						After the change
		Shares allotment	Bonus shares	Capitalization of Public reserve	Additional issuance	Others	Sub -total	
Ⅰ. Shares unlisted								
1. Promoters' shares	318,371,179					(76,044,590)	(76,044,590)	242,326,589
Including:								
Stated-owned shares								
Domestic juristic person's shares	242,326,589							242,326,589
Foreign juristic person's shares	76,044,590					(76,044,590)	(76,044,590)	(Note)
Others								
2. Raised juristic person's shares	28,430,284							28,430,284
3. Shares held by Senior executives								
4. Preference shares or others								
Including: Transferred allotted shares								
Total unlisted shares	346,801,463					(76,044,590)	(76,044,590)	270,756,873
II. Listed shares								
1.Ordinary RMB shares	107,165,997							107,165,997
2.Domestically listed foreign shares	223,007,956					76,044,590	76,044,590	299,052,546 (Note)
3. Overseas listed foreign shares								
4. Others								
Total listed shares	330,173,953					76,044,590	76,044,590	406,218,543
Ⅲ. Total shares	676,975,416							676,975,416

Note: According to Notice regarding Listing of Unlisted Foreign Shares of Company with Domestically Listed Foreign Share (B-share), approved by CSRC with ZJGSZ[2001] No. 82 Document and arranged by Shenzhen Securities Exchange, unlisted foreign shares of the Company were listed for trade on Aug. 13, 2001. The announcement was published on China Securities Journal, Securities Times and Ta Kong Pao on Aug 9, 2001.

2. Share issue and listing

★ The Company initially issued 71,587,436 A shares, including 17 million listed shares at issuance price of RMB 3.38 per share on Oct. 31, 1991; and issued 35,945,114 B shares, including 16 million listed shares at issuance price of HKD 5.30 per share on Dec. 18, 1991. A-share and B-share were listed in Shenzhen Stock Exchange on Feb. 28, 1992 for trading.

★ 1992 bonus distribution plan: 3 bonus shares for every 10 shares with dividend of RMB 0.70 in cash.

★ 1993 share allotment plan: 5 allotment shares for every 10 shares, allotment price for A-share is RMB 7.95 per share, allotment price for B-share is HKD 6.90 per share, and allotment date was May 14, 1993.

★ 1993 bonus distribution plan: 58,067,577 bonus shares were distributed on the basis of 3 bonus shares for every 10 shares with dividend of RMB 1.00 in cash. The ex-right or ex-dividend date was May 11, 1994.

★ The employee's shares of the Company (excluding shares held by directors, supervisors and senior executives) totally amounting to 2.4557 million shares were listed for trading on July 22, 1994.

★ 1994 bonus distribution plan: 75,487,848 bonus shares were distributed on the basis of 3 bonus shares for every 10 shares with dividend of RMB 1.00 in cash. The ex-right or ex-dividend date was July 21, 1995.

★ From June 30 to July 6, 1995, the Company issued US$ 45 million transferable bond of B shares at Switzerland Capital Market. Ended by Dec. 31, 1995, there were totally US$ 1.41 million bond transformed to 2,755,051 B shares.

★ 1995 bonus distribution plan: 104,599,785 bonus shares were distributed on the basis of 3 bonus shares for every 10 shares (including 1 bonus share from public reserve capitalization) with dividend of RMB 0.50 in cash. The equity rights registration date was July 23, 1996.

★ In 1996, there were totally 19.65 million transferable bond of B-share transformed to 44,242,162 B shares.

★ From July 22, 1997 to Aug. 20, 1997, 98,127,880 shares were allotted at the rate of 1.935 shares for 10 shares with allotment prices of RMB 4.00 per share (A-share) and HKD 3.73 per share (B-share).

★1996 bonus distribution plan: 71,722,471 bonus shares were distributed on the basis of 1.185 bonus shares for every 10 shares with dividend of RMB 0.395 in cash (including tax). The equity rights registration date was Oct. 31, 1997. The initial trading dates of A-share and B-share were respectively Nov. 5, 1997 and Nov. 6, 1997.

★ In 1997, there were totally 11.2 million transferable bond of B-share transformed to 28,414,056 shares.

★ In 1998, since the Company had not implemented any profit distribution or share allotment, there were no changes in its total share capital and structure of share.

★In 1999, since the Company had not implemented profit distribution or share allotment, there were no changes in its total share capital and structure of share.

★2000 bonus distribution plan: Distributed to all the shareholders at the rate of RMB 1.2 for 10 shares (including tax) based on the total share capital of 676,975,416 shares at the end of 2000.

Particulars about employee's shares (A-share):
Date of issuance: Oct. 31, 1991
Quantity of issuance: 3.3 million shares
Price of issuance: RMB 3.38 per share
Custodian period: From Jan. 15, 1992 to Jan. 25, 1992
Proportion in total share capital: 3.07%

In 1993, 595.3 thousand employee's shares of the Company were listed for trading.

On July 22, 1994, 2.4557 million employee's shares of the Company were listed for trading. Ended by the report period, there were totally 366,212 shares held by the directors, supervisors and senior executives of the Company being frozen.

(II) Particulars about the principal shareholders ended by the report period

1. Ended by the report period, the Company had totally 42,756 shareholders.

2. Particulars about the shares held by the top ten shareholders

Name of shareholder	Amount at the end of the report period (Share)	Proportion (%)	Share style
China Northern Industry Shenzhen Corporation	87,175,364	12.88	Juristic person share (A share)
Yiwan Industrial Development (Shenzhen) Co., Ltd.	87,175,364	12.88	Juristic person share (A share)
Shenzhen Yida Trading Co., Ltd.	76,204,633	11.26	Juristic person share (A share)
China Merchants (Glass Industry) Holding Co., Ltd.	47,891,297	7.07	Circulating share (B share)
San Xia Securities Co., Ltd.	22,730,951	3.36	Circulating share (A share)
Shanghai Yexuan Printing Co., Ltd.	9,183,551	1.36	Circulating share (A share)
Hubei Hengrui technology Co., Ltd.	7,271,554	1.07	Circulating share (A share)
Shenzhen Jun An Securities Co., Ltd.	5,878,371	0.87	Juristic person share (A share)
Hubei Anfeng Assets Administration Co., Ltd.	5,868,098	0.87	Circulating share (A share)
Beijing Century Star Real Estate Development Co., Ltd.	5,495,238	0.81	Circulating share (A share)

(1) The shares of 76,204,633 held by Shenzhen Yida Trading Co., Ltd. have been transferred to Shenzhen Freeway Development Co., Ltd. on March 21, 2002. This event was disclosed on Securities Times, China Securities Journal and Ta Kung Pao dated March 28, 2002.

(2) Yiwan Industrial Development (Shenzhen) Co., Ltd., Shenzhen Yida Trade Co., Ltd. and Shenzhen Freeway Development Co., Ltd. are related parties, all three parties are directly or indirectly holding companies of Shenzhen Investment Holding Corp. Except for this, there is no relation among the other shareholders.

3. Brief introduction of juristic shareholders holding no less than 10% of total shares of the Company

◆**China Northern Industry Shenzhen Company**

China Northern Industry Shenzhen Company with registered capital of RMB 124.85 million was founded on May 22, 1981, which is a wholly owned subsidiary of China Northern Industry Company.
Legal representative: Jiao Zhiren
Business scope: domestic trading, supply and marketing of materials, storage, etc.

◆**Yiwan Industrial Development (Shenzhen) Co., Ltd.**

Yiwan Industrial Development (Shenzhen) Co., Ltd. with registered capital of HKD 20 million was founded on Sept 13, 1994, which is a wholly owned subsidiary of Shenzhen International Holdings Limited.
Legal representative: Chen Chao
Business scope: manufacture and operation of construction material, decoration material, new style macromolecule material, energy saving electromechanical products, subtle chemical industry products, etc.

◆ **Shenzhen Yida Trade Co., Ltd.**

Shenzhen Yida Trade Co., Ltd. with registered capital of RMB 5.28 million was founded on May 22, 1981, which is a wholly owned subsidiary of Shenzhen International Holdings Limited.

Legal representative: Chen Chao

Business scope: manufacture and operation of construction material, metallic material, chemically products and raw material, automobile fittings and mineral products, etc.

◆ **Shenzhen Freeway Development Co., Ltd.**

Shenzhen Freeway Development Co., Ltd. with registered capital of RMB 200 million was founded on September 8, 1993, which is a holding company of Shenzhen Investment Holding Corp.

Legal representative: Chen Chao

Business scope: investment and management of roads, bridges and tunnels, provision of ancillary services such as road transportation, maintenance, gas stations and passenger and freight transportation agency.

In the report period, there was neither pledge nor frozen on the shares held by said shareholders.

V. Directors, Supervisors, Senior Executives and Staff

(I) Directors, supervisors and senior executives

1. Basic status

Name	Title	Sex	Age	Term of office	Shares held at the beginning of the report period	Shares held at the end of the report period
Chen Chao	Chairman of the Board	Male	46	2000/5-2002/5		
Sun chengming	Director	Male	42	2001/5-2002-5		
Jiao Zhiren	Director	Male	55	2000/5-2002/5		
Zeng Nan	Director, General Manager	Male	57	1999/5-2002/5	67,680	67,680
Zhou Daozhi	Independent Director	Male	52	1999/5-2002/5		
Li Jingqi	Director	Male	45	2000/5-2002/5		
Sun Jiawen	Director	Male	39	2001/5-2002/5		
Liu Jun	Director	Male	38	2000/5-2002/5		
Ding Jiuru	Director	Male	39	1999/5-2002/5		
Long Long	Independent Director	Male	45	2000/5-2002/5		
Yang Hai	Director	Male	40	2001/5-2002/5		
Yan Ganggang	Independent Director	Male	42	2001/5-2002/5		
Hao Hongbo	Chairman of the Supervisory Committee	Male	62	2001/5-2002/5		
Meng Yinglong	Supervisor	Male	50	1999/5-2002/5	36,442	36,442
Jiang Hui	Supervisor	Male	36	2001/5-2002/5		
Zhong Zhongliu	Deputy General Manager	Male	59	1999/5-2002/5	43,171	43,171
Sun Jingbo	Chief Accountant	Female	39	1999/5-2002-5	24,816	24,816

2. Particulars about the annual salary of directors, supervisors and senior executives

(1) The salary of the Company's senior executives shall be determined by the Board of Directors, including basis pay and bonus.

(2) Among directors and supervisors currently holding the post, director and general manager Zeng Nan and supervisor Meng Yinglong received their salaries from the Company. Following persons received no pay from the Company: Chen Chao, Sun Chengming, Jiao Zhiren, Zhou Daozhi, Li Jingqi, Sun Jiawen, Liu Jun, Ding Jiuru, Long Long, Yan Ganggang, Hao Hongbo and Jiang Hui.
(3) There are 17 directors, supervisors and senior executives in office at present, 4 persons received their annual salary from the Company. Of them, 1 person enjoyed RMB150,000 to RMB 200,000 and 3 persons enjoyed RMB 100,000 to RMB 150,000. In the report period, the total annual salary paid to the above listed persons was RMB 538,800, and the total amount of salary of the top three senior executives was RMB 432,500.

3. Resign of directors, supervisors and senior executives in the report period
(1) Due to work adjustment, Sheng Bin, Zhao Huxiang and Yu Liming, the former directors resigned from their title on the Shareholders' General Meeting 2000 dated May 12, 2001.
(2) Due to work adjustment, Yuan Wu and Tao Xiaodong, the former supervisors resigned from their title on the Shareholders' General Meeting 2000 dated May 12, 2001.
(3) Due to the restriction of the legal age of retirement, Wang Chunsheng, the former deputy general manager resigned from his title on the 7th meeting of 2nd Board of Directors dated Oct. 17, 2001.

(II) Staff

Categories	Number	Proportion %
Production personnel	1526	64
Marketing personnel	74	3
Technical personnel	467	19
Financial personnel	61	3
Administrative personnel	273	11
Total	2401	100

Ended by the report period, there were 1225 staff having schooling background of college and polytechnic school graduation or higher, taking 51 % of the total staff. There was no retired staff who was paid by the Company.

VI. Administrative Structure

(I) Company Administration

According to the PRC Company Law, the Securities Law and other relevant laws and regulations issued by CSRC, the Company continuously improves the legal person administration system and standardizes the operation of the Company. The Company has established the Articles of Association, the Rules of Procedures of the Board of Directors, the Rules of work of General Manager, the Financial and Accounting Management System and the Conference System. Present administrative structure of the Company complies with the Rules concerning Administration of Listed Companies issued by CSRC. Details are set out as follows:

(1) Shareholders and shareholders' general meeting: The Company can ensure equal status and full rights of all shareholders, especially those small or medium shareholders. The

Company called and held shareholders' general meetings strictly in accordance with the rules of shareholders' general meeting.

(2) Relationship between holding shareholder and listed company: The performance of holding shareholders of the Company is in conformity with rules, without intervening the decision or operation of the Company directly or indirectly exceeding the authority of the shareholders' general meeting. The Company has been absolutely independent in personnel, assets, finance, organization and business from its holding shareholders ever since its establishment. The Board of Directors, the Supervisory Committee and the management performed their respective functions in an independent way.

(3) Director and the Board of Directors: The Company has elected directors strictly according to the Article of Association. The number and composition of the Board members are in compliance with the requirements of relevant laws and regulations. The Board of Directors has established the Rules of Procedures of the Board of Directors. All directors attended the Board meetings and the shareholders' general meeting in a positive and responsible manner, actively received related training to be familiar with relevant laws, regulations as well as rights, obligations and responsibilities of the director. The Company has engaged 3 independent directors who did not occupy any position other than director in the Company. All independent directors implemented the responsibility according to relevant laws, regulations and the Articles of Association to safeguard the interests of the Company and small or medium shareholders. The Board of Directors is going to establish the special committee of the Board of directors in terms of relevant regulations.

(4) Supervisors and Supervisory Committee: The number and composition of the Supervisory Committee members are in compliance with the requirements of laws and regulations. All supervisors took the responsible attitude to all shareholders, implemented their duties seriously and supervised over the financial affairs as well as the performance of the directors, managers and other senior executives in terms of the laws and regulations.

(5) Performance evaluation, encouragement and binding mechanism: The Company is actively preparing for a fair and open performance evaluation criteria and encouragement and binding mechanism for directors, supervisors and senior executives. The Company engaged the managers and senior executives in an open and transparent way and in compliance with the laws and regulations.

(6) Relevant beneficiaries: The Company has been fully respecting and safeguarding the legal rights and interests of the banks and other creditors, staff and other parties of related interests, so to jointly develop the Company in a consistent and healthy ways.

(7) Information disclosure and transparency: The Company has authorized the secretary of the Board of Directors to take charge of disclosing information, receiving the visit and inquiry of the shareholders. The Company has been disclosing the relevant information in a real, accurate, complete and timely way strictly according to the laws, regulations and the Articles of Association, ensured all the shareholders to have equal opportunity to obtain the information. The Company timely disclosed the detail information concerning the large shareholders or the actual controllers of the Company and the changes of share capital.

The Company has been operating strictly according to the laws and regulations such as the PRC Company Law and Rules concerning Administration of Listed Company ever since its establishment and will further perfect the administrative structure in coming days. The Company will dedicate to pursue the maximum of the profit and practically safeguard the interests of small or medium shareholders.

(II) Performance of independent directors

The Company has established independent director system by engaging 3 independent directors in May 1999, May 2000 and May 2001 respectively. All independent directors implemented the responsibility according to relevant laws and regulations, took part in the operating and managing activities in a positive and responsible manner, put forward independent opinion on important affairs of the Company and safeguarded the interests of the Company and small or medium shareholders.

(III) Separation between the Company and its holding shareholders in terms of personnel, assets, financial, organization and business

The Company has been absolutely independent in personnel, assets, finance, organization and business from its holding shareholders ever since its establishment.

(1) In terms of personnel: The Company is absolutely independent in the management of labor, personnel and salaries. General manager, deputy general managers and other senior executives get their pay from the Company and have not received any remuneration from the holding shareholders or held any title therein.

(2) In terms of assets: The Company possesses independent production system, auxiliary production system and complementary facilities. The intangible assets, such as industrial property rights, trade mark, non-patent technologies, etc. solely belong to the Company. The Company has independent purchase and sales system.

(3) In terms of finance: The Company has independent financial department and has established independent accounting calculation system and financial management system. The Company has independent bank accounts. The Company has paid taxes independently according to the laws.

(4) In terms of organization: The Company has been totally independent from its holding shareholders in production, operation and administration. The Company has its own office and production sites different from those of the holding shareholders. There is no such situation of operating and working together with the holding shareholders.

(5) In terms of business: The business scope of the Company covers production and dealing in new-typed display devices and materials, new-typed electronic components, structure ceramic materials and products, raw sheets of high-grade float glasses and deep-processed series glass products. There is no competition in business between the Company and the holding shareholders. The Company has been completely independent from the holding shareholders in Business. The Company has owned independent purchase and supply system of the raw resources, complete production systems, independent salesmen and customers. The Company has established its own R & D institution to ensure the innovation and advantage of the technology

(IV) Evaluation and encouragement mechanism of senior executives

The Company has established target and liability evaluation mechanism to strengthen the management and encouragement for the senior executives. At every end of operating year, the Board of Directors values the performance of the senior executives based on the target accomplishment and relevant criteria, decides the bonus of the senior executives according to the evaluation result.

VII. Brief Introduction to Shareholder's General Meeting

The Company held one Shareholders' General Meeting in the report period.

According to the Resolutions of the 9th meeting of 2nd Board of Directors, the Company published the notice of convening the Shareholders' General Meeting 2000 on Securities Time, China Securities Journal and Ta Kung Pao dated April 7, 2001. The Shareholders' General Meeting 2000 was held in 7/F conference room of Technology Bldg. of the Company in the morning of May 12, 2001. Shareholders, shareholder's proxies attending the meeting and representing shares were in conformity with the PRC Company Law and the Articles of Association of the Company. Through witness by Chen Xueming, attorney of Guangdong Jing Tian Law Firm, the meeting was legal and effective. The following items were examined and approved by means of disclosed ballot in the meeting:

(1) 2000 Report of Board of Directors

(2) 2000 Report of Supervisory Committee

(3) 2000 Annual Report and its Summary

(4) 2000 Financial Settlement Report

(5) 2000 Profit Distribution Preplan
2000 Profit Distribution Preplan: distribute to all the shareholders at the rate of RMB 1.2 for 10 shares (including tax) based on the total share capital of 676,975,416 shares at the end of 2000.

(6) Proposal on Engaging of Law Counselor for the Company in 2001

(7) Proposal on Engaging of Audit Organization for the Company in 2001

(8) Rules of Procedures of the Board of Directors

(9) Proposal on Change of Part of Directors

(10) Proposal on Change of Part of Supervisors

(11) Proposal on Amendment of the Articles of Association

The Resolutions of 2000 Shareholders' General Meeting were published on Securities Times, China Securities Journal and Ta Kung Pao dated May 15, 2001.

VIII. Report of the Board of Directors

(I) Business operation in the report period

1. Main business scope and the operation

Main business scope: R & D, production and dealing in raw sheets of high-grade float glasses and deep-processed series glass products, new-typed display devices and materials, new-typed electronic components, structure ceramic materials and products; design and installation of the works of glass curtain wall; investment in technology, asset management.

Main business of the Company falls into the category of nonmetal mineral products industry (C61). The Company is principally engaged in the R & D, production, marketing and selling of raw sheets of high-grade float glasses and deep-processed series glass products, new-typed display devices and materials, new-typed electronic components, structure ceramic materials and products. In the report period, the slowing down of the global economic growth, especially the deep adjustment in IT industry significantly influenced sales revenue and profit of the Company. In the year 2000, IT industry of the Company contributed 60.61% of the total profit of the Company, whereas in year 2001, the contribution of IT industry to total profit of the Company decreased to 31.71%. The change was amazing. Fortunately, the Company has not ignored the traditional glass industry at the same time as it concentrated on its hi-tech industry in recent years. The Low-E coating glass being developed for four years began to yield good marketing return. The profit making ability of auto glass invested six years ago was greatly improved. As for the float glass, the Company insisted on the faith in quality, and the finished product rate of float glass was ranking at the top in glass industry. As for the display devices and electronic components, the Company still remained the leading manufacturer in the industry despite the adverse circumstances. In the year 2001, under the leadership of the Board of Directors and the Supervisory Committee, the management of the Company continuously improved the legal person administration system and standardized the operation of the Company to minimize the negative effect of exterior environment. The Company made good use of limited chances in adversity and acquired quite good operating results.

(1) Business segments (before elimination)

Unit: In RMB

Industry	Turnover	Gross profit	Net Profit
Production of glass products	963,412,702	348,532,738	160,637,177
Property development	29,799,061	2,102,700	-10,235,564
Other businesses	48,876,671	18,582,016	835,061

(2) Geographical segments

Unit: In RMB

Region	Turnover	Net Profit
PRC	1,002,831,529	156,390,298
United State	5,942,202	-3,370,132
Australia	12,650,687	187,214

(3) Cash flow segments

Unit: In RMB

Cash flow from:	Production of glass	Property development	Other businesses	Total
Operating activities	316,497,484	3,490,064	9,284,888	329,272,436
Investing activities	-199,804,760	-2,410,958	-5,802,645	-208,018,363
Financing activities	-134,932,857	-2,371,602	-183,517	-137,487,976
Total	-18,240,133	-1,292,496	3,298,726	-16,233,903

2. Particulars about the wholly owned subsidiaries and jointly controlled entities

Please refer to Note 34 of the Auditors' Report.

3. Major suppliers and customers

In the report period, the calculated purchase volume of the top five suppliers accounted for 21.71% of the total purchase volume; the calculated sales volume of the top five customers accounted for 9.63% of the total sales volume of the Company.

4. Problems and difficulties occurred in operation and solutions thereof

In the report period, the great decrease in sales and profit of hi-tech enterprises of the Company and the overstock of real estate were two main problems and difficulties occurred in operation.

(1) The slowing down of the global economic growth, especially the deep adjustment in IT industry brought negative effects on sales revenue of hi-tech display devices and electronic components of the Company. In the year 2000, hi-tech enterprises contributed 60.6% of the total profit of the Company, whereas in the year 2001, the contribution of hi-tech enterprises to total profit of the Company decreased to 31.7%. However, the Company took advantage of the opportunity of adjustment in IT industry to develop the new products and enhance the grade of products in 2001. The Company ensures that the IT industry will come out of the difficulties in near future along with the constant investment of multinational companies on IT industry.

(2) In the year 2001, the sales situation of real estate was still not good. The overstock of real estate used large amount of funds of the Company. In the year 2002, the Company will adopt new sales mechanism and method to accelerate the sales of the stocks of real estate and recover the funds as soon as possible.

(II) Investment

1. In the report period, the Company did not raise any fund through share offering or utilize any fund raised before the report term.

2. Application of the funds not raised through share offering

(1) The third ITO coating production line: The equipment of the production line has been installed and is being regulated. The line is expected to put into production in early 2002.

(2) The precise coating glass production line with daily melting capacity of 250 tons: The construction of the production line is under smooth progress as scheduled. The line is

expected to start production kindling in September 2002 and produce products in Oct. 2002.

(III) Financial status (Unit: In RMB ’0,000)

Item	2001	2000	Increase/ Decrease (%)	Reason
Total assets	268,791	275,582	-2.46	Repayment of loan and decrease in trade receivable and inventories.
Long-term liabilities		16		
Capital and reserves	193,677	186,489	3.85	Earning in the report period
Gross profit	36,920	43,045	-14.23	Decrease in sales revenue and profit making ability of hi-tech products
Net profit	15,321	18,936	-19.09	Decrease in sales revenue and profit making ability of hi-tech products

(IV) Impact of changes in macro-policies

1. Impact of the state policy
In the year 2002, the positive financial policy is still adopted by the state, including increasing investment and encouraging consumption for promoting the growth of economy. There is no doubt that IT industry and real estate industry are two major forces to push the economy forward. Although the growth of IT industry was sluggish in 2001, it still has a promising prospect. Along with the promotion in housing reform, the demand for real estate property will increase continuously. All these factors will provide wider space and more opportunities for the Company’s development.

2. Impact of WTO entrance
According to the relevant articles of WTO, the import tariff of flat glass will not be lessened by great margin in the near future, which slows down the entrance of international glass products in large scale. On the other hand, WTO entrance will speed up the development and the adjustment of domestic glass industry. Moreover, it is beneficial for the Company to acquire the information relating technology and market quickly in a fair-trade environment, which helps the Company to expand the export and upgrade the products.

3. Impact of Beijing Olympic Games
Beijing Olympic Games will enlarge the demand for glass and deep processed glass products and bring the huge opportunity for glass enterprises, which helps the Company to enhance the market share.

(V) Arthur Andersen．Hua Qiang Certified Public Accountants and Arthur Andersen & Co. audited the Company’s accounting statements for 2001 and presented standard Auditor’s Report without reserved opinion.

(VI) Operation plan for the year 2002

In the year 2002, the Company will still have to face the challenge due to the continual recession of the world economy. The Company will focus on the construction and management to make voice to the challenge. All investment projects shall be completed on schedule. The operation of the Company shall be improved by strengthening the management and establishing the effective encouragement mechanism. Although there are difficulties, the Company is confident in acquiring better operation result through hard working of management and staff. The details are as follows:

(1) The Company will continue to focus on innovation, improve existing operating mechanism and optimize the resources allocation.

(2) The Company will strengthen the management, perfect the result evaluation mechanism of the staff, strictly control the costs and reinforce the quality management.

(3) The Company will emphasize on the research and development of new products, strengthen the technical service, marketing investigation and competition analysis.

(4) The Company will make great effort to recover the funds in the real estate so as to vitalize the inventory assets.

(5) The Company will reinforce its management over the invested projects and strengthen the planning, appraisal and control over the planned projects. Also, the Company will standardize and coordinate the assets of the Company to form a reasonable and flexible relationship of interests.

(6) The Company will strengthen the strategic research of medium/long-term development and plan the development of the Company carefully to enhance its core competitiveness and increase its anti-risk ability in the market.

(VII) Routine work of the Board of Directors

1. Board Meetings and Resolutions

In the report period, the 2nd Board of Directors altogether held six board meetings.

☆ The 9th meeting of the 2nd Board of Directors was held on April 6, 2001 at the 5th floor meeting room of CSG Building. The meeting discussed and adopted the following documents:

(1) 2000 Report of the Board of Directors
(2) 2000 Annual Report and its Summary
(3) 2000 Financial Settlement Report
(4) 2000 Profit Distribution Preplan
(4) 2001 Profit Distribution Policy
(5) Proposal on Engaging of Law Counselor for the Company in 2001
(6) Proposal on Engaging of Audit Organization for the Company in 2001
(7) Rules of Procedures of the Board of Directors and Rules of Work of General Manager
(8) Proposal on Change of Part of Directors
(10) Proposal on Amendment of the Articles of Association
(11) Determination of the Items to Hold Shareholders' General Meeting 2000

The resolutions of the said board meeting were published on Securities Times, China Securities Journal and Ta Kung Pao dated April 7, 2001.

☆ The 10th meeting of the 2nd Board of Directors was held on May 12, 2001 at the 7th floor meeting room of CSG Technology Building. At the meeting, Mr. Chen Chao was elected Chairman of the Board of the Company.
The resolution of the meeting was published on Securities Times, China Securities Journal and

Ta Kung Pao dated May 15, 2001.

☆ The 11th meeting of the 2nd Board of Directors was held on July 25, 2001 at the 5th floor meeting room of CSG Office Building. The meeting discussed and adopted the following resolutions:

(1) Work Summary of the First Half Year of 2001
(2) Report on Provision for Devaluation of Fixed Assets
(3) The Effect of Implementing Accounting Regulations for Enterprise on Undistributed Profit and Corresponding Suggestions
(4) 2001 Interim Report and its Summary
(5) 2001 Interim Profit Distribution Preplan

The resolutions of the said board meeting were published on Securities Times, China Securities Journal and Ta Kung Pao dated July 27, 2000.

☆ The 12th meeting of the 2nd Board of Directors was held on Sept.15, 2001 at Zhuhai International Conference Center. The meeting decided to dismiss the Shenzhen Zhongtianqin Certified Public Accountants and engage the Arthur Andersen . Hua Qiang Certified Public Accountants as audit organization of A share. The resolution of the meeting was published on Securities Times, China Securities Journal and Ta Kung Pao dated Oct. 30, 2001.

2. Implementation of the resolutions of the shareholders' general meeting by the Board of Directors

(1) Approved by Extraordinary Shareholders' General Meeting 2000, the Company's name was changed from "China Southern Glass Holding Co., Ltd." to "CSG Technology Holding Co., Ltd.". The change has been examined and approved by National Administration on Industry and Commerce with (G)MCBHWZ [2001] No. 38 Documents and the changing registration has been finished in Shenzhen Municipal Administration on Industry and Commerce on March 27, 2001.

(2) Approved by Shareholders' General Meeting 2000, the 2000 profit distribution plan was to distribute the cash dividend to the whole shareholders at the rate of RMB 1.2 for 10 shares (including tax) based on the total share capital of 676,975,416 shares at the end of 2000. 2000 profit distribution was totally completed in June 2001.

(VIII) Profit distribution preplan

1. Profit distribution preplan for the year 2001

As audited by Arthur Andersen . Hua Qiang Certified Public Accountants, the net profit of the Company as of the year 2001 was RMB 151,297,232. The Board of Directors proposed to make profit distribution as follows: 10% of the net profit is to allotted as statutory public reserve amounting to RMB 15,129,723 and 5% of the net profit is to allotted as statutory public welfare fund amounting to RMB 7,564,862. In addition to RMB 16,921,217 retained profit carried down from the previous year, profit attributable for shareholders amounts to RMB 145,523,864. Based on the total share capital of 676,975,416 shares at the end of year 2001, the dividends would be distributed to the whole shareholders in cash at the rate of RMB 1.30 for every 10 shares (including tax).

The aforesaid profit distribution preplan shall be implemented subject to the approval by 2001 Shareholders' General Meeting.

2. Estimated profit distribution policy for the year 2002

(1) Distribution plan: the Company shall implement profit distribution in the year 2002 once.

(2) Distribution proportion: 20%~ 50% of the net profit to be realized in the year 2002 shall be used for distribution; 50% of the undistributed profit at the end of 2001 shall be used for profit distribution in the year 2002.

(3) Distribution form: mainly in form of cash.

(4) Note: The Board of Directors shall submit a profit distribution proposal to the shareholders' general meeting for examination and approval before the aforesaid profit distribution policy for the year 2002 is implemented. In addition, the Board of Directors reserves the power to make adjustment based on the situation of the development and profit earning of the Company.

(IX) Other events
Securities Times, China Securities Journal and Ta Kung Pao were the publications chosen by the Company for disclosing the information in the year 2001.

IX. Report of the Supervisory Committee

(I) Particulars about work of the Supervisory Committee

In the report period, the Supervisory Committee held altogether 4 meetings

☆ The 8th meeting of the 2nd Supervisory Committee was held on April 6, 2001 at the 5th floor meeting room of CSG Building. The meeting discussed and adopted the following documents:

(1) 2000 Report of the Supervisory Committee
(2) 2000 Annual Report and its Summary
(3) 2000 Financial Settlement Report
(4) Proposal on Change of Part of Supervisors
(5) Announcement of Supervisory Committee

The resolutions of the said meeting were published on Securities Times, China Securities Journal and Ta Kung Pao dated April 7, 2001.

☆ The 9th meeting of the 2nd Board of Directors was held on May 12, 2001 at the 7th floor meeting room of CSG Technology Building. At the meeting, Mr. Hao Hongbo was elected Chairman of the Supervisory Committee. The resolution of the meeting was published on Securities Times, China Securities Journal and Ta Kung Pao dated May 15, 2001.

☆ The 10th meeting of the 2nd Supervisory Committee was held on July 25, 2001 at the 5th floor meeting room of CSG Building. The meeting discussed and adopted the following documents:

(1) Work Summary of the First Half Year of 2001;
(2) Report on Provision for Devaluation of Fixed Assets;
(3) The Effect of Implementing Accounting Regulations for Enterprise on Undistributed Profit and Corresponding Suggestions;
(4) 2001 Interim Report and its Summary;
(5) 2001 Interim Profit Distribution Preplan.
2001 Interim profit Distribution Preplan: conduct neither profit distribution nor capitalization of the public reserve.

The resolutions of the meeting were published on Securities Times, China Securities Journal and Ta Kung Pao dated July 27, 2000.

(II) Independent Opinion of the Supervisory Committee

In the year 2001, the Supervisory Committee understood the operation and financial situation of the Company by attending the shareholders' general meeting, the board meetings and operation and management meetings as non-voting delegates, implemented effective supervision over the Company, directors and senior executives. Here is the brief report:

1. Operation according to the Laws

In the year 2001, the Board of Directors seriously implemented the resolutions of the Shareholders' General Meeting, carried out the operation in a standardized way strictly according to the national laws and regulations, the Articles of Association. The directors made operation decisions in compliance with the specified procedures and established complete internal control mechanism.

The Company management seriously implemented the resolutions of the Board of Directors, carried out the operation strictly by the authority of the Board of Directors and in according to the Articles of Association. They managed affairs of the Company in a scientific and reasonable way and acquired good operation result.

No directors or senior executives has been found to be involved in any actions against the laws, rules and regulations, the Articles of Association, the resolutions of the shareholders' general meeting or harmful to the Company's interest.

2. Financial Inspection

In the year 2001, the Supervisory Committee conducted the business and financial inspection by checking the books and other accounting documentation, and had found nothing against the concerned regulations and the Articles of Association of the Company. The auditors' reports produced by both Arthur Andersen . Hua Qiang Certified Public Accountants and Arthur Andersen & Co. were true and reliable. The Company's financial report and auditors' opinion have truly reflected the financial status and operation achievements of the Company.

3. In the report period, there was no application of the proceeds as raised through share offering.

4. In the report period, the Company's purchase and sale of the assets had been conducted in a fair and reasonable way and there existed no inside transaction or action harmful to the

shareholders' right or interest.

5. In the report period, there was no material related transaction.

X Significant Events

1. Material Lawsuits and Arbitration

(1) The case of the "Home of Overseas Chinese" between Hainan CSG Industrial Development Co. (Development Co.), the Company's wholly owned subsidiary, and Hainan Yuehai Construction Economic Development Co. (Yuehai Company) was judged on Nov. 26, 1999 at Hainan Provincial Interim People's Court with (1999) HNMCZ No. 12 Civil Judgment. The judgement demanded Yuehai Company repays RMB 17,153,423.36 house payment and 70% of relevant losses of interest to Development Co., whereas Development Co. returns unsold houses of Home of Overseas Chinese. The Company pleaded to Hainan Provincial High People's Court due to dissatisfaction to the initial judgment. But the High People's Court stood the initial judgment on Aug. 30, 2000 with (2000) QMZZ No. 28 Civil Judgment. Development Co. still believed that the judgment was unfair and interest of the company was harmed, so pleaded to the Supreme People's Court of the People's Republic of China in Dec. 2000. The case was judged on Sept. 6, 2001 at the Supreme People's Court of the People's Republic of China with (2000) MJZ No. 568 Judgment, quashing the judgement of Hainan Provincial Interim and High People's Court and demanding retrial at Hainan Provincial High People's Court.

(2) The case on MLCI/SMD Turn-key Project Contract between American Electronic Material Company (AEM) and the Company came to a out-of-court settlement successfully on May 21, 2001.

2. In the report period, the Company conducted neither sales and purchase of assets nor consolidation and merge.

3. Related transactions: for the detail, please refer to the notes of the Auditor's Report.

4. Material contracts and the implementation

(1) In the report period, neither the Company trusted, contracted and leased other Company's assets nor its assets were trusted, contracted and leased by other companies.

(2) Material guarantees:
In the report period, the Company had never offered guarantee to any companies other than the Company's subsidiaries. The guarantees offered to the subsidiaries are as follows:

Company	**Amount (In 0'000)**	
	USD	**RMB**
Shenzhen Wellight Coating Company Limited		1,500
Shenzhen Wellight Conductive Coating Company Limited		1,500
Shenzhen Southern Glass Display Technology Company Limited	200	
Shenzhen Benxun Autoglass Company Limited	100	2,200
Shenzhen CSG Architectural Glass Company Limited		1,000
Shenzhen Southern Float Glass Company Limited	200	15,000
Southern Glass (Tianjin) Industrial Development Company Limited		655
Total	500	21,855

(3) In the report period, the Company did not entrust others to manage its cash assets. Also, there was no plan of finance entrustment at the end of year 2001.

5. Shareholders holding over 5% shares of the Company made no commitment on the designated newspaper or web site in the report period. The profit distribution policy for 2001 was disclosed in 2000 annual report of the Company. The details is as follows: 20%~ 50% of the net profit to be realized in the year 2001 shall be used for profit distribution; 50% of the undistributed profit at the end of 2000 shall be used for profit distribution in the year 2001. Actual distribution preplan for 2001 proposed by the Board of Directors is in conformity with the Company’s commitment as stated above, with actual distribution proportion exceeding the expected proportion.

6. In the year 2001, the Company dismissed Shenzhen Zhongtianqin Certified Public Accountants and instead engaged Arthur Andersen . Hua Qiang Certified Public Accountants as audit organization of A share. The audit organization of B share, Arthur Andersen & Co, remained unchanged. In the year 2001, remuneration paid to the audit organizations of A share and B share were RMB 500,000 and RMB 650,000 respectively (including travel expenses).

7. The Company, its directors or senior executives had never been checked and given administrative punishment or circular notices of criticism by the China Securities Regulatory Commission nor been condemned publicly by the Stock Exchange in the report period.

8. The proposal on Changing the Company Name was approved at 2000 Extraordinary Shareholders’ General Meeting. The change has been examined and approved by National Administration on Industry and Commerce with (G)MCBHWZ [2001] No. 38 Documents and the changing registration has been finished in Shenzhen Municipal Administration on Industry and Commerce on March 27, 2001.

XI. Financial Reports

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2001 TOGETHER WITH AUDITORS' REPORT

The reader is advised that this report has been prepared originally in Chinese. In the event of a conflict between this report and the original Chinese version or difference in interpretation between the versions of the report, the Chinese language report shall prevail.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying consolidated balance sheet of China Southern Glass Technology Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group") as of December 31, 2001 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements set out on pages 2 to 31 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2001, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

Certified Public Accountants

Hong Kong
April 25, 2002

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2001

(Expressed in Renminbi)

	Note	2001	2000 (Note 35)
ASSETS			
Current assets			
Cash and cash equivalents	3	182,168,597	198,497,208
Pledged bank deposits	4	18,586,984	41,854,261
Trade receivables, net	5	154,602,191	210,316,529
Due from related company	31	37,085,084	26,569,803
Inventories, net	6	87,978,096	117,131,807
Properties for sale, net	7	279,333,111	304,006,428
Other current assets	8	11,797,865	6,566,076
		771,551,928	904,942,112
Non-current assets			
Long-term investments	9	9,117,958	8,218,759
Property, plant and equipment, net	10	1,652,667,275	1,725,644,130
Construction-in-progress	11	169,755,254	26,334,095
Land use rights	12	86,424,323	83,110,058
Intangible assets	13	(6,637,521)	1,743,423
Deferred tax assets	21	5,032,727	5,825,579
		1,916,360,016	1,850,876,044
Total Assets		2,687,911,944	2,755,818,156
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	292,326,684	306,528,474
Due to related company	31	18,769,551	48,708,437
Taxes payable	15	4,218,580	15,887,595
Short-term bank loans	16	401,762,800	451,550,000
Current portion of long-term bank loans		-	10,000,000
		717,077,615	832,674,506
Non-current liabilities			
Other non-current liabilities		-	163,603
		-	163,603
Minority interests		34,066,484	58,087,824
Capital and reserves			
Share capital	18	676,975,416	676,975,416
Reserves	19	1,121,452,271	1,106,164,661
Retained earnings		138,340,158	81,752,146
		1,936,767,845	1,864,892,223
Total Liabilities and Equity		2,687,911,944	2,755,818,156

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2001

(Expressed in Renminbi)

	Note	2001	2000
Sales	22, 31	1,021,424,418	1,163,618,332
Cost of sales		(652,220,296)	(733,163,867)
Gross profit		369,204,122	430,454,465
Distribution and selling expenses		(72,769,352)	(79,253,860)
General and administrative expenses		(136,037,634)	(116,343,242)
Write-back of net realisable value provision (Net realisable value provision) for properties for sale		18,897,557	(3,269,040)
Other operating income, net		7,521,297	11,821,322
Profit from operations		186,815,990	243,409,645
Financial expenses, net		(28,372,215)	(39,929,669)
Profit before tax	23	158,443,775	203,479,976
Income tax	24	(4,265,025)	(6,666,798)
Profit after tax		154,178,750	196,813,178
Minority interests		(971,370)	(7,453,725)
Net profit		153,207,380	189,359,453
Earnings per share			
- Basic	25	0.23	0.28
- Diluted		Not Applicable	Not Applicable

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2001

(Expressed in Renminbi)

			Reserves					Retained earnings	
	Note	Share capital	Share premium	Revaluation reserve	Statutory revenue reserve	Statutory common welfare fund	Cumulative translation reserve	(Accumulated deficit)	Total
					(Note 19)	(Note 19)			
Balances as of January 1, 2000		676,975,416	920,559,397	7,338,068	89,124,481	63,350,587	624,340	(82,972,992)	1,674,999,297
Currency translation differences		-	-	-	-	-	533,473	-	533,473
Net profit for the year		-	-	-	-	-	-	189,359,453	189,359,453
Profit appropriation to statutory reserves	19	-	-	-	16,422,877	8,211,438	-	(24,634,315)	-
Balances as of December 31, 2000		676,975,416	920,559,397	7,338,068	105,547,358	71,562,025	1,157,813	81,752,146	1,864,892,223
Dividends declared	20	-	-	-	-	-	-	(81,237,050)	(81,237,050)
Currency translation differences		-	-	-	-	-	(94,708)	-	(94,708)
Net profit for the year		-	-	-	-	-	-	153,207,380	153,207,380
Inter-transfer of reserves	19				(4,874,845)	(2,437,422)	-	7,312,267	-
Profit appropriation to statutory reserves	19	-	-	-	15,129,723	7,564,862	-	(22,694,585)	-
Balances as of December 31, 2001		676,975,416	920,559,397	7,338,068	115,802,236	76,689,465	1,063,105	138,340,158	1,936,767,845

The accompanying notes are an integral part of this financial statement.

CHINA SOUTHERN GLASS TECHNOLOGY HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2001

(Expressed in Renminbi)

	Note	2001	2000
Net cash inflow from operating activities	27	364,574,016	340,193,261
Interest paid		(30,466,518)	(42,064,385)
Income taxes paid		(4,835,062)	(5,548,464)
Net cash provided by operating activities		329,272,436	292,580,412
Net cash outflow from investing activities			
Purchase of property, plant and equipment		(191,037,854)	(64,896,099)
Increase in intangible assets and other long-term assets		(4,807,583)	(154,200)
Purchase of share from minority shareholder of a subsidiary		(14,980,000)	-
Proceeds from disposal of investment		-	444,998
Interest received		2,807,074	3,216,753
Net cash used in investing activities		(208,018,363)	(61,388,548)
Net cash outflow from financing activities			
Repayment of short-term bank loans		(49,787,200)	(210,654,453)
Repayment of long-term bank loans		(10,000,000)	(19,946,970)
Decrease in other long-term liabilities		(163,603)	(1,160,580)
Dividends paid to minority shareholders		(5,611,590)	-
Dividends paid to shareholders		(81,237,050)	(2,896,105)
Capital contributed by the minority shareholder of subsidiary		9,311,467	-
Net cash used in financing activities		(137,487,976)	(234,658,108)
Net decrease in cash and cash equivalents		(16,233,903)	(3,466,244)
Cash and cash equivalents at beginning of year		198,497,208	201,370,870
Adjustment for foreign currency translation difference		(94,708)	592,582
Cash and cash equivalents at end of year	3	182,168,597	198,497,208

The accompanying notes are an integral part of this financial statement.

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

1. ORGANISATION AND OPERATIONS

China Southern Glass Technology Holding Co., Ltd. (the "Company") was incorporated on September 10, 1984 in the People's Republic of China (the "PRC") as a joint venture enterprise under the laws of the PRC and was reorganised as a joint stock limited company registered in the PRC in 1991.

The Company's ordinary shares ("A Shares") and domestically listed foreign shares ("B shares") have been listed on the Shenzhen Stock Exchange since February 28, 1992.

The Company and its subsidiaries (the "Group") are principally engaged in the manufacture and sales of glass and ceramics products, property development and leasing and interior decoration design and installation services. The activities of its subsidiaries are shown in Note 34.

The registered office address of the Group is located at CSG Building, No. 1 of the 6th Industrial Road, Shekou, Shenzhen, China. The total number of employees of the Group as of December 31, 2001 was approximately 2,401 (2000: approximately 2,387).

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Group are as follows:

(a) Basis of presentation

The accompanying consolidated financial statements are prepared under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"). This basis of accounting differs from that used in the management accounts of the Company and its main subsidiaries which were prepared in accordance with generally accepted accounting principles and relevant financial regulations applicable to enterprises in the PRC ("PRC GAAP").

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The impact of IFRS adjustments on consolidated profit attributable to shareholders and consolidated net assets are set forth in Note 32.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Measurement currency

Based on the economic substance of the underlying events and circumstances relevant to the Company, the measurement currency of the Company has been determined to be Renminbi. To consolidate the Company and each of its subsidiaries, the financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the consolidated balance sheet, and at the average exchange rate for the year with respect to the consolidated income statement. All resulting translation differences are included in a cumulative translation reserve in equity.

(c) Principles of consolidation

The consolidated financial statements include those financial statements of the Company and its subsidiaries on the basis as set out in Notes 2(d) below.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(d) Subsidiaries

A subsidiary is a company in which the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

(e) Cash and cash equivalents

Cash represents cash in hand and deposits with banks which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(f) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(g) Inventories

Inventories are valued at the lower of cost and net realisable value, after provision for obsolete items. Cost, calculated on the weighted average basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Net realisable value is the selling price in the ordinary course of business less the estimated costs of completion, marketing and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(h) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost of properties for sale comprises cost and interest of borrowings for the purpose of financing the construction for the period prior to their being in a condition to enter into service. Net realisable value is calculated based on the estimated selling price less all further cost of construction and the related marketing, selling and distribution expenses.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation and accumulated impairment loss are eliminated from the accounts and any gain or loss resulting form their disposal is included in the consolidated income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Property, plant and equipment (Cont'd)

Depreciation is calculated using the straight-line method to write off the cost, after taking into account the estimated residual value, of each asset over its expected useful life. The expected useful lives are as follows:

Buildings	20 - 35 years
Machinery and equipment	10 - 20 years
Motor vehicles	10 years
Office equipment	8 years

The useful lives of assets and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(j) Construction-in-progress

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into its intended use.

(k) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Assets subject to operating leases income in their consolidated balance sheet are presented according to the nature of the assets. Lease income from operating leases is recognised in income on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct cost incurred specifically to earn revenues from an operating lease are recognised as an expense in the consolidated income statement in the period in which they are incurred.

(l) Long-term investments

Long-term investments represent available-for-sale investments and are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Long-term investments are subsequently carried at cost subject to impairment review.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

i. Patents, trademarks and licenses

Amounts paid for patents, trademarks, licenses are capitalised and amortised on a straight-line basis over the expected useful lives. The expected useful lives of patents, trademarks and licenses are 15 years.

ii. Software

The cost of acquisition of new software is capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over 10 years.

(n) Negative goodwill

Negative goodwill is recognised in the consolidated income statement as follows:

i. To the extent that negative goodwill relates to expected future losses and expenses that are identified in the company's plan for the acquisition and can be measured reliably but which cannot be accrued for the date of acquisition, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

ii. The amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets.

iii. The amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

The negative goodwill is amortised on a straight-line basis over 10 years, which approximates the weighted average useful life of the identifiable depreciable assets acquired. Negative goodwill is presented as a deduction from intangible assets. Amortisation of negative goodwill is offset against general and administrative expenses in the consolidated income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(o) Provisions

A provision is recognised when, and only when, an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(p) Minority interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

If a subsidiary or an associate has outstanding cumulative preferred shares which are held outside the group, the company computes its share of profit or losses after adjusting for the preferred dividends, whether or not the dividends have been declared.

(q) Revenue recognition

Revenue is recognised when it is probable that the economic benefit associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is recognised on the following basis:

(i) Sales of goods

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed.

(ii) Properties for sale

Revenue is recognised when the significant risks and rewards of ownership of the properties for sale have been transferred to customers and the bill of settlement has been submitted and confirmed by customers.

(iii) Rental income

Rental income is recognised when the right to receive payment is established.

(iv) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(r) Foreign currencies

(i) Foreign currency transactions

The Company and its subsidiaries maintain its books and records in RMB, except for Standard Glass Corporation and China Southern Glass (Australia) Pty Limited ("Overseas subsidiaries") which maintain their books and records in USD and Australian dollars respectively. Transactions in other currencies are translated into the measurement currency at the applicable rates of exchange prevailing at the time of the transactions. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognised in the consolidated income statement in the period in which they arise. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchanges differences, other than those capitalised in fixed assets, are recognised in the consolidated income statement in the period in which they arise.

(ii) Foreign entities

The foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their measurement currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated into RMB at the year end applicable rates, quoted by the People's Bank of China ("PBOC") with respect to the consolidated balance sheet, and at the average applicable PBOC rates during the year in the transactions occurred with respect to the consolidated income statement. All resulting translation differences are included in a cumulative translation reserve in equity.

On the disposal of a foreign entity the cumulative amount of exchange rate differences that relate to the foreign entity, are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

(s) Pension scheme

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Company's local staff employed by the Company and its subsidiaries established in the PRC are to be made monthly to a government agency based on 13% of the standard salary set by the provincial government, of which 8% is borne by the Company and its subsidiaries in PRC and the remainder is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Company and its subsidiaries in PRC account for these contributions on an accrual basis and charge the related contributions to income in the year to which the contributions relate.

2. <u>PRINCIPAL ACCOUNTING POLICIES (Cont'd)</u>

(t) Borrowings

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(u) Taxation

The Group companies provide for taxation on the basis of its income for financial reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

(v) Financial instruments

Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents, trade and notes receivable, due from related company, other receivables, long-term investments, trade and notes payable, due to related company, other payables and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group companies have a legally enforceable right to offset and intend to settle either on a net basis or to realize the asset and settle the liability simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(w) Impairment of assets

(i) Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date. For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans, receivables, an impairment or bad debt loss is recognised in the consolidated income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

(ii) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

(iii) Reversal of impairment losses

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in the consolidated income statement. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(x) Segments

Business segments: for management purposes the Group is organized into three major operating businesses. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 26.

Intersegment transactions: segment revenue, segment expenses and segment performance included transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(y) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(z) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(aa) New accounting development

In 2001, the Group adopted IFRS 39 "Financial Instruments: Recognition and Measurement" which are effective for financial statements covering periods beginning on or after January 1, 2001. The adoption of this accounting policy did not have a material impact on the reported financial position or results of the Group and the Company.

3. CASH AND CASH EQUIVALENTS

	2001	2000
Cash in hand	300,788	580,196
Cash at banks	181,867,809	197,917,012
	182,168,597	198,497,208

4. PLEDGED BANK DEPOSITS

Bank deposits of RMB18,586,984 (2000: RMB23,854,261) were pledged as guarantee for property sales mortgage granted to its customers. The remaining deposits in 2000 of RMB18,000,000 were used for the bank acceptance draft issued by relevant financial institutions on behalf of the Group.

5. TRADE RECEIVABLES, NET

	2001	2000
Accounts receivable	164,662,656	220,932,822
Notes receivable	4,371,777	2,224,110
Less: provision for doubtful accounts	(14,432,242)	(12,840,403)
	154,602,191	210,316,529

6. INVENTORIES, NET

	2001	2000
Finished goods	37,103,670	54,416,712
Work-in-progress	8,386,149	7,574,024
Raw materials	45,317,488	55,914,949
	90,807,307	117,905,685
Less: provision for obsolescence	(2,829,211)	(773,878)
	87,978,096	117,131,807

7. PROPERTIES FOR SALE, NET

	2001	2000
Properties for sale, at cost	467,521,548	510,180,970
Less: provision for net realisable value	(188,188,437)	(206,174,542)
	279,333,111	304,006,428

The provision for net realisable value of properties for sale was determined by the directors based on the net selling price of similar properties with reference to the property market.

8. OTHER CURRENT ASSETS

	2001	2000
Other receivables	7,771,134	771,083
Prepaid expenses	3,043,424	3,530,969
Deferred charges	983,307	2,264,024
	11,797,865	6,566,076

9. LONG-TERM INVESTMENTS

	2001	2000
Unlisted investment in the PRC, at cost	26,308,927	26,053,584
Less: provision for impairment in value	(17,190,969)	(17,834,825)
	9,117,958	8,218,759

No quoted market prices as of year end are available for the above unlisted companies. The directors of the Company are of the opinion that the carrying value of the long-term investment approximated the recoverable amount of the long-term investment as of year end.

10. PROPERTY, PLANT AND EQUIPMENT, NET

	2001					2000 (Note 35)
	Buildings	Machinery and equipment	Motor vehicles	Office equipment	Total	Total
Cost						
Beginning of year	492,233,847	1,465,930,215	65,321,051	54,839,861	2,078,324,974	2,045,587,786
Additions	3,665,377	14,851,949	3,185,162	5,813,419	27,515,907	21,686,285
Transfer from CIP	350,181	12,555,739	290,750	79,073	13,275,743	28,395,830
Disposals	-	(4,095,779)	(2,087,072)	(4,207,384)	(10,390,235)	(17,344,927)
End of year	496,249,405	1,489,242,124	66,709,891	56,524,969	2,108,726,389	2,078,324,974
Accumulated depreciation						
Beginning of year	(51,897,382)	(248,100,650)	(28,144,372)	(24,538,440)	(352,680,844)	(259,880,449)
Charges for the year	(17,523,345)	(74,304,086)	(5,301,536)	(5,896,776)	(103,025,743)	(99,105,275)
Impairment losses	(2,437,502)	(2,363,849)	-	-	(4,801,351)	-
Disposals	-	2,022,718	782,712	1,643,394	4,448,824	6,304,880
End of year	(71,858,229)	(322,745,867)	(32,663,196)	(28,791,822)	(456,059,114)	(352,680,844)
Net book value						
End of year	424,391,176	1,166,496,257	34,046,695	27,733,147	1,652,667,275	1,725,644,130
Beginning of year	440,336,465	1,217,829,565	37,176,679	30,301,421	1,725,644,130	1,785,707,337

(i) Fully depreciated property, plant and equipment

Certain machinery and equipment, motor vehicles and office equipment items with gross carrying amounts of RMB10,409,239 and RMB8,339,823 are fully depreciated, as of 31 December 2001 and 2000, respectively, but these items are still in active use.

(ii) Impairment loss

According to inspections and assessment on property, plant and equipment made by management, certain buildings, machinery and equipment was impaired mainly due to the change of the property market and the rapid improvement of glass-manufacturing technologies. The impaired assets including buildings, and the machinery and equipment used to process glass-related products were written down to their recoverable amount which is their net selling price. Net selling price is determined using the best estimate available for the disposal of these assets on an arm’s length basis between knowledgeable willing parties, after deducting costs of disposal. An impairment loss has been recognised as general and administrative expenses in the consolidated income statement for assets carried at cost.

11. CONSTRUCTION-IN-PROGRESS

	2001	2000
Beginning of year	26,334,095	11,520,111
Additions	163,521,947	43,209,814
Transferred out to land use rights	(6,825,045)	-
Transferred out to property, plant and equipment	(13,275,743)	(28,395,830)
End of year	169,755,254	26,334,095

12. LAND USE RIGHTS

	2001	2000
		(Note 35)
Cost		
Beginning of year	102,528,315	102,528,315
Transfer from CIP	6,825,045	-
End of year	109,353,360	102,528,315
Cumulative amount charged to consolidated income statement		
Beginning of year	(19,418,257)	(16,055,299)
Charges for the year	(3,510,780)	(3,362,958)
End of year	(22,929,037)	(19,418,257)
Net carrying value		
End of year	86,424,323	83,110,058
Beginning of year	83,110,058	86,473,016

Land use rights comprised fees paid to Shenzhen National Real Estate Management Bureau for the right to use the land where the Company's factory buildings in Shenzhen are located.

Payments for land use rights represent prepaid lease payments for the land and are recognised as an expense on a straight-line basis over the estimated period of use of the land use rights of 27-50 years. Estimated period of use of a land use right is the shorter of the land use period according to the land use right certificate and the approved operating period of the company holding the land use right. As of December 31, 2001, the Group had no future lease payment obligations in respect of the above land use rights.

13. INTANGIBLE ASSETS

	2001				2000
	Software	Patents, trademarks and licenses	Negative goodwill	Total	Total
Cost					
Beginning of year	3,043,694	-	-	3,043,694	2,889,494
Additions	-	4,552,240	(13,712,589)	(9,160,349)	154,200
End of the year	3,043,694	4,552,240	(13,712,589)	(6,116,655)	3,043,694
Accumulated amortisation					
Beginning of year	(1,300,271)	-	-	(1,300,271)	(1,011,322)
Amortisation for the year	(440,110)	(151,743)	1,371,258	779,405	(288,949)
End of the year	(1,740,381)	(151,743)	1,371,258	(520,866)	(1,300,271)
Net book value					
End of year	1,303,313	4,400,497	(12,341,331)	(6,637,521)	1,743,423
Beginning of year	1,743,423	-	-	1,743,423	1,878,172

The negative goodwill was arisen from the acquisition of additional shares of Shenzhen Wellight Coating Company Limited during the year. (Note 34)

14. TRADE AND OTHER PAYABLES

	2001	2000
		(Note 35)
Trade payable	82,485,989	133,683,652
Notes payable	37,783,937	66,431,862
Advance from customers	26,429,936	25,399,223
Salary payable and welfare payable	2,236,010	2,349,076
Accruals	22,679,584	15,928,593
Payable for construction work and equipment purchase	63,666,302	11,690,834
Others	57,044,926	51,045,234
	292,326,684	306,528,474

15. TAXES PAYABLE

	2001	2000
Provision for income tax	262,908	1,625,799
Provision for value added tax	1,114,594	10,278,059
Provision for business tax	1,991,638	3,092,154
Others	849,440	891,583
	4,218,580	15,887,595

16. SHORT-TERM BANK LOANS

As of December 31, 2001, all short-term bank loans were unsecured. These loans bear interest ranging from 3.190% to 6.435% (2000: from 5.850% to 8.190%) per annum.

17. EMPLOYEE SOCIAL INSURANCE SCHEMES

The Company participates in certain employee social insurance schemes in respect of pension insurance and medical insurance and other insurance managed by governmental organization. According to the relevant provisions, the Company and its employees are required to make contributions to Shenzhen Municipal Social Security Administration Bureau at specified rates based on the basic salaries of the employees. The portion of insurance expenses contributed by the Company and its subsidiaries is included in the consolidated statement of income.

The Company paid monthly pension insurance and medical insurance premium to Shenzhen Municipal Social Security Administration Bureau at the rates of 13% and 9% respectively based on the basic salaries of the employees. The portion contributed by the Company are 61.5% and 78% respectively and the employees pay for the remaining contribution.

All the Group's PRC subsidiaries have already participated in certain employee social insurance schemes managed by local Social Security Administration Bureau. For the year ended December 31, 2001, total social insurance expenses amounted to approximately RMB5,307,311 (2000: RMB4,824,828).

18. SHARE CAPITAL

The share capital of the Company comprised ordinary shares of RMB1 each. The details are set out as follows:

	As of December 31		As of December 31	
	2001	2000	2001	2000
Authorized, issued and fully paid	Number of shares		RMB	
Unlisted shares				
Shares owned by domestic legal persons	270,756,873	270,756,873	270,756,873	270,756,873
Shares owned by foreign legal persons	76,044,590	76,044,590	76,044,590	76,044,590
Shares owned by employees	580,989	580,989	580,989	580,989
Subtotal	347,382,452	347,382,452	347,382,452	347,382,452
Listed shares				
A shares	106,585,008	106,585,008	106,585,008	106,585,008
B shares	223,007,956	223,007,956	223,007,956	223,007,956
Subtotal	329,592,964	329,592,964	329,592,964	329,592,964
	676,975,416	676,975,416	676,975,416	676,975,416

19. RESERVES

According to the Company Laws of the PRC and Articles of Association of the Company, the Company is required to provide certain statutory reserves which are appropriated from the net profit as reported in the statutory accounts. Accordingly, the Company shall set aside 10% of its net profit for statutory revenue reserve (except where the reserve balance has reached 50% of the Company's registered capital) and 5% to 10% for the statutory common welfare fund. The Company may make appropriations from its net profit to the discretionary revenue reserve upon approval by shareholders. These reserves cannot be used for purposes other than those of which they are created and are not distributed as cash dividends without the prior approval by shareholders under certain conditions.

When the statutory revenue reserve is not sufficient to cover the prior years' losses, the current year's net profit will first be used to compensate the previous losses before the appropriations to the statutory revenue reserve and statutory common welfare fund.

The statutory common welfare fund is designated for the purpose of collective welfare of the employees.

The statutory revenue reserve, discretionary revenue reserve and capital reserve fund as approved by shareholders may be converted into share capital provided that the balance of the statutory reserve does not fall below 25% of the registered share capital. The Company can issue bonus shares and increase par value of each share to the existing shareholders in proportion to their original shareholders.

19. RESERVES (Cont'd)

For the year ended December 31, 2001, the directors of the Company proposed that 10% and 5% (2000: 10% and 5%) of the net profit as reported in the statutory accounts be appropriated to statutory reserve fund and statutory common welfare fund respectively totalling RMB22,694,585 (2000: RMB24,634,315). The resolution is subject to approval by shareholders in the annual general meeting.

Inter-transfer of reserves as of December 31, 2001 was arisen from the prior year adjustment of the profit appropriation of management accounts under PRC GAAP for adapting the new generally accepted accounting principles of the PRC.

20. DIVIDENDS

Cash dividends declared and authorised in 2001 were as follows:

	2001	2000
Dividends declared before year end	81,237,050	-
Dividends declared after year end (Note 33)	88,006,804	81,237,050

In accordance with the Articles of Association of the Company, the Company declares dividends based on the lower of retained earnings as reported in the statutory accounts prepared in accordance with PRC GAAP and the financial statements prepared in accordance with IFRS. As the statutory accounts have been prepared in accordance with PRC GAAP, the retained earnings as reported in the statutory accounts is different from the amount reported in the accompanying consolidated statement of changes in equity.

As of December 31, 2001, the retained earnings before final dividends reported in the financial statements in accordance with PRC accounting standards and IFRS were RMB145,523,864 (2000: RMB98,158,267) and RMB138,340,158 (2000: RMB81,752,146), respectively.

21. DEFERRED TAX ASSETS

Components of deferred tax assets are as follows:

	2001	2000
Provision for doubtful accounts	868,538	679,995
Provision for impairment of long-term investments	2,067,927	2,326,326
Write off of long-term deferred expenses	-	752,406
Write off of pre-operating expenses	1,955,213	2,066,852
Provision for impairment of fixed assets	141,049	-
	5,032,727	5,825,579

Certain companies of the Group had unused tax losses of RMB1,133,596 (2000: RMB2,016,000) for which no deferred tax asset is recognised in the consolidated balance sheet due to uncertainty of its recoverability. Except for the above, there is no material unprovided deferred tax assets and liabilities of the Group to be recognised for the year ended December 31, 2001.

21. DEFERRED TAX ASSETS (Cont'd)

Movement of deferred tax assets are as follows:

	January 1, 2001	Credit (charged) to consolidated statement of income	December 31, 2001
Provision for doubtful accounts	679,995	188,543	868,538
Provision for impairment loss of long-term investments	2,326,326	(258,399)	2,067,927
Write off of long-term deferred expenses	752,406	(752,406)	-
Write off of pre-operating expenses	2,066,852	(111,639)	1,955,213
Provision for impairment of fixed assets	-	141,049	141,049
	5,825,579	(792,852)	5,032,727

22. SALES

	2001	2000
Sales of products	992,421,857	1,084,339,372
Sales of properties	24,139,575	73,507,669
Rental income	4,862,986	5,771,291
	1,021,424,418	1,163,618,332

Detail analysis on operating activities categorized by businesses and geographical locations are set out in Note 26 to the accompanying financial statements.

23. PROFIT BEFORE TAX

Profit before tax was determined after crediting and charging the following:

	2001	2000 (Note 35)
Crediting:		
Rental income	4,862,986	5,771,291
Interest income	2,807,074	3,216,753
Exchange gain	1,487,257	-
Amortization of negative goodwill	1,371,258	-
Write-back of provision for impairment losses for long-term investments	643,856	-
Write-back of the net realisable value provision charged against income for properties for sales	17,986,105	-
Charging:		
Staff costs		
- Salaries and wages	57,248,438	67,990,536
- Provision for staff and workers' welfare fund	4,667,294	6,461,677
- Provision for social insurance scheme	9,746,471	9,397,015
Cost of inventories	652,220,296	733,163,867
Depreciation of property, plant and equipment	103,025,743	99,105,275
Amortization of other intangible assets	591,853	288,949
Prepaid lease payments for land use right charged against income	3,510,780	3,362,958
Loss on disposal of properly, plant & equipment	5,941,411	11,040,047
Provision for doubtful accounts	1,591,839	7,954,146
The net realisable value provision charged against income for properties for sales	-	3,269,040
Impairment losses for long-term investments	-	2,057,525
Impairment losses for fixed assets	4,801,351	-
Interest expenses	30,466,518	42,064,385
Exchange loss	-	1,080,536
Provision for obsolescence of inventories	2,055,333	773,878

24. INCOME TAXES

In accordance with the prevailing Enterprise Income Tax ("EIT") laws, the Company and its subsidiaries in the PRC are subject to income tax at rates of 15% or 33%, determined by their respective place of incorporation. Subsidiaries located abroad are subject to tax rates of their place of incorporation. Besides, some subsidiaries are enterprises with foreign investment in the PRC and are entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous years.

	2001	2000
Income tax – current year		
- PRC	3,472,173	6,362,738
- Overseas	-	20,150
	3,472,173	6,382,888
Deferred tax assets relating to the origination and reversal of temporary differences	792,852	-
Deferred tax assets relating to changes in accounting policies	-	283,910
	4,265,025	6,666,798

The reconciliation of the statutory tax rate to the effective tax rate is as follows:

	2001		2000	
Accounting profit	153,207,380	100.0%	189,359,453	100.0%
Tax at the statutory tax rate of 15.0% (2000: 15.0%)	22,981,107	15.0%	28,403,918	15.0%
Tax benefit arising from preferential policy	(22,356,100)	(14.6%)	(26,023,107)	(13.7%)
Tax effect of expenses that are not deductible in determining taxable profit	1,713,548	1.1%	1,986,077	1.0%
Deferred tax assets of the unused tax losses on certain subsidiaries of the Group not recognised (Note 21)	1,133,596	0.7%	2,016,000	1.1%
Changes in deferred taxes (Note 21)	792,852	0.5%	283,910	0.1%
	4,265,025	2.8%	6,666,798	3.5%

Since the subsidiaries outside Shenzhen had no material amount of taxable profit during year of 2001, the national income tax rate of 15% for enterprises incorporated in Shenzhen (2000: 15%) is deemed as the statutory tax rate for the Group.

25. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to ordinary shareholders of RMB153,207,380 (2000: RMB189,359,453), divided by the weighted average number of ordinary shares issued during the year of 676,975,416 shares (2000: 676,975,416 shares). Diluted earnings per share is not presented as there is no potential dilutive ordinary shares outstanding during the years.

26. SEGMENT INFORMATION

Segment information is prepared on the following bases:

(a) Business segments

The Group conducts the majority of its business activities in the areas of production of glass, property development, and other businesses including silica sand mining and provision of decoration services operations. An analysis by business segment is as follows:

	Production of glass products		Property development		Other businesses		Elimination		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
		(Note 35)		(Note 35)		(Note 35)		(Note 35)		(Note 35)
TURNOVER										
Sales to external customers	963,412,702	1,057,726,315	29,799,061	79,278,960	28,212,655	26,613,057	-	-	1,021,424,418	1,163,618,332
Inter-segment sales	-	-	-	-	20,664,016	14,240,932	(20,664,016)	(14,240,932)	-	-
Total turnover	963,412,702	1,057,726,315	29,799,061	79,278,960	48,876,671	40,853,989	(20,664,016)	(14,240,932)	1,021,424,418	1,163,618,332
RESULTS										
Gross profit (loss)	348,532,738	394,621,907	2,102,700	22,560,556	18,582,016	16,296,978	(13,332)	(3,024,976)	369,204,122	430,454,465
Interest expense	(29,915,736)	(38,406,508)	(511,893)	(3,580,022)	(38,889)	(77,855)	-	-	(30,466,518)	(42,064,385)
Interest income	2,434,244	2,872,451	291,591	318,814	81,239	25,488	-	-	2,807,074	3,216,753
Income taxes	(4,227,610)	(6,630,541)	-	-	(37,415)	(36,257)	-	-	(4,265,025)	(6,666,798)
Minority interests	(971,370)	(7,453,725)	-	-	-	-	-	-	(971,370)	(7,453,725)
Net profit (loss)	160,637,177	190,628,716	(10,235,564)	1,120,092	835,061	(424,936)	1,970,706	(1,964,419)	153,207,380	189,359,453
OTHER INFORMATION										
Segment assets	2,706,324,549	2,257,654,803	335,064,396	417,289,142	73,957,101	92,105,708	(436,552,060)	(19,450,256)	2,678,793,986	2,747,599,397
Long-term investments	53,004,799	52,292,263	69,000	-	-	-	(43,955,841)	(44,073,504)	9,117,958	8,218,759
Total assets	2,759,329,348	2,309,947,066	335,133,396	417,289,142	73,957,101	92,105,708	(480,507,901)	(63,523,760)	2,687,911,944	2,755,818,156
Total liabilities	687,292,566	730,344,934	438,235,425	513,142,840	28,102,233	32,357,681	(436,552,609)	(443,170,949)	717,077,615	832,674,506
Capital expenditure	190,167,953	63,786,197	182,069	146,515	687,832	963,387	-	-	191,037,854	64,896,099
Depreciation and amortisation	(102,172,438)	(99,229,381)	(1,309,715)	(1,322,015)	(2,274,965)	(2,205,786)	-	-	(105,757,118)	(102,757,182)
Impairment loss recognised in the income statement	(2,153,191)	(2,057,525)	(2,437,502)	(3,269,040)	(210,658)	-	-	-	(4,801,351)	(5,326,565)

26. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments

The Group's activities are conducted predominantly in the PRC, and other parts of the United States and Australia. An analysis by geographical segment is as follows:

	PRC		United States		Australia		Total	
	2001	2000 (Note 35)	2001	2000 (Note 35)	2001	2000 (Note 35)	2001	2000 (Note 35)
External sales	1,002,831,529	1,112,498,447	5,942,202	20,500,530	12,650,687	30,619,355	1,021,424,418	1,163,618,332
Total assets	2,679,683,299	2,738,554,354	1,542,461	7,766,018	6,686,184	9,497,784	2,687,911,944	2,755,818,156
Capital expenditure	191,037,854	64,878,779	-	17,320	-	-	191,037,854	64,896,099
Contribution to net income	156,390,298	189,274,234	(3,370,132)	(159,559)	187,214	244,778	153,207,380	189,359,453

(c) Cash flow segments

	Production of glass	Property development	Other businesses	Total
Cash flow from:				
Operating activities	316,497,484	3,490,064	9,284,888	329,272,436
Investing activities	(199,804,760)	(2,410,958)	(5,802,645)	(208,018,363)
Financing activities	(134,932,857)	(2,371,602)	(183,517)	(137,487,976)
	(18,240,133)	(1,292,496)	3,298,726	(16,233,903)

27. NET CASH INFLOW FROM OPERATING ACTIVITIES

Reconciliation from consolidated profit before tax and minority interests to net cash inflow from operating activities:

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax and minority interests	158,443,775	203,479,976
Adjustments for:		
Provision for doubtful accounts	1,591,839	7,954,146
Depreciation	103,025,743	99,105,275
Loss on disposal of fixed assets	5,941,411	11,040,047
Impairment losses for fixed assets	4,801,351	-
(Write back of net realisable value provision) net realisable value provision for properties for sale	(17,986,105)	3,269,040
(Write back of impairment losses) Impairment losses for long-term investments	(643,856)	2,057,525
Provision for obsolescence of inventories	2,055,333	773,878
Interest expenses	30,466,518	42,064,385
Interest income	(2,807,074)	(3,216,753)
Prepaid lease payments for land use rights charged against income	3,510,780	3,362,958
Amortisation of intangible assets	(779,405)	288,949
Operating profit before working capital changes	287,620,310	370,179,426
Decrease (Increase) in inventories	27,098,378	(2,975,540)
Decrease in properties for sale	42,659,422	67,570,470
Decrease (Increase) in trade and notes receivable	54,122,499	(68,728,144)
(Increase) Decrease in other current assets	(5,231,789)	23,711,376
Decrease (Increase) in pledged bank deposits	23,267,277	(41,854,261)
Increase in the due from related company	(37,085,084)	-
Decrease in trade and other payables	(14,201,790)	(10,506,867)
Decrease in due to related companies	(3,369,083)	(17,922,319)
(Decrease) Increase in other current liabilities	(10,306,124)	20,719,120
Net cash inflow from operating activities	364,574,016	340,193,261

28. FINANCIAL INSTRUMENTS

The carrying amounts of the Group's cash and cash equivalents, short-term bank deposits over three months, trade and notes receivables, other receivables, trade and notes payable, due to related company, other payables and borrowings approximate their fair values because of the short maturity of these instruments.

The Group did not enter into any foreign exchange forward contracts to hedge against fluctuations.

FINANCIAL RISK MANAGMENT

(a) Credit risk

The carrying amount of cash and cash equivalents, trade receivables and other current assets represented the Group's maximum exposure to credit risk in relation of financial assets.

Cash is placed with reputable banks and the weighted average effective interest rate on deposits was 0.99%.

Majority of the Group's trade receivables relate to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables. The Group maintains a provision for doubtful debts and actual losses have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

(b) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in Renminbi, which is not freely convertible into foreign currencies. On 1st January, 1994, the Mainland China government abolished the dual rate system and introduced a single rate of exchange as quoted by the People's Bank of China. However, the unification of the exchange rate does not imply convertibility of Renminbi into other foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

(c) Interest rate risk

The interest rates of short-term loans of the Group are disclosed in Note 16.

The directors of the Company and its subsidiaries believe that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2001 was minimum since their deviation from their respective fair values was not significant.

29. COMMITMENTS

Capital commitments outstanding at December 31, 2001 not provided from in the accounts are summarised as follows:

	2001	2000
Contracted	196,450,000	74,492,100
Authorised but not contracted	39,070,000	-
	235,520,000	74,492,100

30. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Relationship

Name	Relationship
Hong Kong South Bright Limited	Controlled by one of the promoters of the Company

(b) Transactions

The Company has entered into a variety of transactions with its associates. The Company enters into transactions in the normal course of business on an arm's length basis. The most significant of these transactions are as follows:

	2001	2000
Sales of goods		
Hong Kong South Bright Limited	22,596,562	10,847,689

(c) Balances with related party

All the balances with related company as of December 31, 2001 were unsecured, interest free and repayable on demand.

31. IMPACT OF IFRS ADJUSTMENTS ON NET PROFIT/NET ASSETS

	Net profit		Net assets	
	2001	2000	2001	2000
		(Note 35)		(Note 35)
As reported in the statutory accounts	151,297,232	184,998,326	1,846,507,758	1,782,946,208
Impact of adjustments:				
Real estate sales recognition, net	(7,407,793)	1,967,833	(5,439,960)	1,967,833
Deferred tax	(792,852)	(283,910)	5,032,727	5,825,579
Long-term deferred expenses	9,325,981	1,314,921	(2,134,748)	(11,258,820)
Profit appropriation – dividends	-	-	88,006,804	81,237,050
Others	784,812	1,362,283	4,795,264	4,174,373
As stated under IAS	153,207,380	189,359,453	1,936,767,845	1,864,892,223

32. SUBSEQUENT EVENTS

Pursuant to the board resolution on April 25, 2002, the directors recommended the payment of a final dividend of RMB0.13 per share, totalling RMB88,006,804.

33. INVESTMENT IN SUBSIDIARIES

As of December 31, 2001, the Company directly/indirectly held the following subsidiaries:

Name	Place of incorporation	Registered capital	Principal activities	Percentage of equity interest held
Directly held				
Shenzhen Southern Star Glass Processing Company Limited	Shenzhen, PRC	23,100,000	Placing, cutting, edging and drilling of glass	100%
Shenzhen Nanfeng Glass Machinery Company Limited	Shenzhen, PRC	12,000,000	Production of glass manufacturing machinery and related equipment	100%
Shenzhen CSG Architectural Glass Company Limited (Formerly known as Shenzhen Southern Insulating Glass Company Limited)	Shenzhen, PRC	32,000,000	Production of engraved glass	100%
Hainan Southern Glass Development Company Limited	Haikou, PRC	30,000,000	Property development and investment	100%
Southern Glass (Wuhan) Industrial Development Company Limited	Wuhan, PRC	40,000,000	Property development and investment	100%
Standard Glass Corporation	USA	USD200,000	Distribution of glass products	100%
China Southern Glass (Australia) Pty Limited	Australia	AUD500,000	Glass trading	100%
Shenzhen Nanbo Spandrel and Tempglass Company Limited	Shenzhen, PRC	15,000,000	Production of colour-coated glass	100%
Shenzhen Nanbo Structure Ceramics Company Limited	Shenzhen, PRC	30,000,000	Production of structural ceramic products	100%
Shenzhen Nanbo Curtain Wall Engineering Co., Ltd.	Shenzhen, PRC	12,000,000	Interior decoration, design and installation	100%
Shenzhen Nanhong Electronic Ceramics Company Limited	Shenzhen, PRC	50,000,000	Production of electronic ceramic products	100%
Shenzhen Southern Float Glass Company Limited	Shenzhen, PRC	605,736,250	Production of ultra-thin coated glass	100%
Shenzhen Benxun Autoglass Company Limited	Shenzhen, PRC	100,000,000	Production of car windows	100%
Sichuan Southern Glass Development Company Limited	Chengdu, PRC	40,000,000	Property development and investment	100%

34. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation	Registered capital	Principal activities	Percentage of equity interest held
Wen Chang CSG Silica Sand Mine Company	Wenchang, PRC	40,000,000	Production of silica sand	100%
Beihai Southern Glass Real Estate Development Company Limited ("Beihai")	Beihai, PRC	20,000,000	Property development and investment	100%
Southern Glass (Tianjin) Industrial Development Company Limited ("Southern Glass Tianjin")	Tianjin, PRC	20,000,000	Property development	100%
Shenzhen Wellight Coating Company Limited	Shenzhen, PRC	USD8,000,000	Production of coated glass and mirrors	100%
Shenzhen Southern Glass Display Technology Company Limited	Shenzhen, PRC	USD9,000,000	Production of monitors	75%
Shenzhen Hong Da Mirrors Company Limited	Shenzhen, PRC	6,780,000	Production of glass mirrors	75%
Shenzhen Xinhongda Safety Glass Company Limited	Shenzhen, PRC	10,080,000	Production of safety glass	75%
Shenzhen Wellight Conductive Coating Company Limited	Shenzhen, PRC	USD5,000,000	Production of conductive glass products	70%
Indirectly held				
Hainan First International Tourism Development Co. Ltd.	Haikou, PRC	HKD10,000,000	Automotive hotel service and tourism guide	100%
Hainan Southern Glass Property Management Co., Ltd.	Haikou, PRC	RMB5,000,000	Property management	100%

On December 28, 2000, a shares Assignment Agreement (the "Agreement") was signed in relation to acquistion of additional shares of Shenzhen Wellight Coating Company Limited ("Shenzhen Wellight"). According to the Agreement, 20% and 10% of the shares in Shenzhen Wellight held by Wah Loon Mechanical & Electrical Co., Ltd. were assigned to the Company and Shenzhen Southern Star Glass Processing Company Limited, the Company's wholly-owned subsidiary, respectively, with a total cash consideration of RMB14,980,000. After the assignment, the Company effectively owns 100% of the shares of Shenzhen Wellight.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation in accordance with the new presentation and disclosure requirements.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 2 to 31 were approved by the board of directors on April 25, 2002.

XII. Documents for Reference

1. 2001 Annual Report carried with the original signature of Chairman of the Board and general manager.

2. Accounting statements carried with the personal signatures and seals of legal representative, chief accountants and person in charge of accounting affairs;

3. Original of Auditors' Report carried with the seal of Arthur Andersen . Hua Qiang Certified Public Accountants as well as personal signatures and seals of certified public accountants;

4. Original of Auditors' Report carried with the seal of Arthur Andersen & Co. as well as personal signatures and seals of certified public accountants;

5. Originals of all documents and manuscripts of Public Notices of the Company disclosed in public on the newspapers designated by CSRC in the report period;

6. The Articles of Association approved by latest Shareholders' General Meeting.

Board of Directors of
CSG Technology Holding Co., Ltd.

April 27, 2002